

MID-YEAR ECONOMIC AND FISCAL OUTLOOK

2013-14

DECEMBER 2013

STATEMENT BY

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FOR THE INFORMATION OF HONOURABLE MEMBERS

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ISBN 978-0-642-74951-2

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Printed by CanPrint Communications Pty Ltd

NOTES

(a) The following definitions are used in this Mid-year Fiscal and Economic Outlook (MYEFO):

- 'real' means adjusted for the effect of inflation;
- real growth in expenses and payments is calculated by the Consumer Price Index (CPI) as the deflator;
- the Budget year refers to 2013-14, while the forward years refer to 2014-15, 2015-16 and 2016-17; and
- one billion is equal to one thousand million.

(b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding:

- estimates under \$100,000 are rounded to the nearest thousand;
- estimates \$100,000 and over are generally rounded to the nearest tenth of a million;
- estimates midway between rounding points are rounded up; and
- the percentage changes in statistical tables are calculated using unrounded data.

(c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus.

(d) The following notations are used:

-	nil
na	not applicable (unless otherwise specified)
\$m	millions of dollars
\$b	billions of dollars
nfp	not for publication
(e)	estimates (unless otherwise specified)
(p)	projections (unless otherwise specified)
NEC/ nec	not elsewhere classified

- (e) The Australian Capital Territory and the Northern Territory are referred to as 'the Territories'. References to the 'States' or 'each State' include the Territories. The following abbreviations are used for the names of the States, where appropriate:

NSW	New South Wales
VIC	Victoria
QLD	Queensland
WA	Western Australia
SA	South Australia
TAS	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory

- (f) In this paper the term Commonwealth refers to the Commonwealth of Australia. The term is used when referring to the legal entity of the Commonwealth of Australia.

The term Australian Government is used when referring to the Government and the decisions and activities made by the Government on behalf of the Commonwealth of Australia.

FOREWORD

The *Mid-Year Economic and Fiscal Outlook 2013-14* (MYEFO) has been prepared in accordance with the *Charter of Budget Honesty Act 1998*. The Charter requires that the Government provide a mid-year budget report which provides updated information on the Government's fiscal position.

Consistent with these requirements:

- **Part 1: Overview** — contains summary information on the key fiscal and economic indicators and outlook.
- **Part 2: Economic outlook** — discusses the domestic and international economic forecasts and projections that underpin the budget estimates.
- **Part 3: Fiscal outlook** — provides a discussion of the fiscal outlook, in addition to a summary of the factors explaining variations in the cash flow statement, the operating statement and the balance sheet since the 2013 Pre-Election Economic and Fiscal Outlook (PEFO). This part includes discussion of the sensitivity of the budget estimates to changes in economic parameters, confidence intervals around forecasts, expenses by function, tax expenditures, payments to the States, and a debt statement.
- **Appendix A: Policy decisions taken since the 2013-14 Budget** — provides details of decisions taken since the 2013-14 Budget that affect revenue, expense and capital estimates.
- **Appendix B: Australian Government Budget Financial Statements** — provides financial statements for the general government, public non-financial corporations and total non-financial public sectors.
- **Appendix C: Statement of risks** — provides details of general developments or specific events that may have an impact on the fiscal position, and contingent liabilities which are costs the government may possibly face, some of which are quantified.
- **Appendix D: Historical Australian Government data** — provides historical data for the Australian Government's key fiscal aggregates.

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PART 1: OVERVIEW

The 2013-14 Mid-Year Economic and Fiscal Outlook (MYEFO) delivers on the Government's commitment to provide a comprehensive and transparent picture of the Commonwealth's financial and economic position.

The budget position has deteriorated significantly since the 2013 Pre-Election Economic and Fiscal Outlook (PEFO). Budget deficits totalling \$123 billion are now expected across the forward estimates, with a \$47 billion deficit expected in 2013-14 – 3.0 per cent of Gross Domestic Product (GDP). Without policy change and taking no remedial action, budget deficits would be projected in each and every year to 2023-24.

This is an unsustainable fiscal position and the Government is committed to taking the hard decisions to live within its means. The 2014-15 Budget will outline the fiscal strategy to return the budget to surplus and pay down debt.

Table 1.1: Budget aggregates

	Estimates					
	2013-14			2014-15		
	Budget	PEFO	MYEFO	Budget	PEFO	MYEFO
Underlying cash balance(\$b)(a)	-18.0	-30.1	-47.0	-10.9	-24.0	-33.9
Per cent of GDP	-1.1	-1.9	-3.0	-0.6	-1.5	-2.1
Fiscal balance(\$b)	-13.5	-25.5	-41.8	-6.3	-22.1	-31.5
Per cent of GDP	-0.8	-1.6	-2.7	-0.4	-1.3	-1.9
	Projections					
	2015-16			2016-17		
	Budget	PEFO	MYEFO	Budget	PEFO	MYEFO
Underlying cash balance(\$b)(a)	0.8	-4.7	-24.1	6.6	4.2	-17.7
Per cent of GDP	0.0	-0.3	-1.4	0.4	0.2	-1.0
Fiscal balance(\$b)	6.0	1.8	-18.8	10.8	7.8	-14.5
Per cent of GDP	0.3	0.1	-1.1	0.6	0.4	-0.8

(a) Excludes expected net Future Fund earnings.

The deterioration in the underlying cash balance since the 2013 PEFO is \$16.8 billion in the 2013-14 financial year and \$68.1 billion over the forward estimates. This is in addition to the \$33.1 billion deterioration in the budget position between the 2013-14 Budget and the 2013 PEFO.

The total underlying cash deterioration over the forward estimates since the 2013-14 Budget is \$101.2 billion.

In accrual terms, the fiscal balance is expected to be a deficit of \$41.8 billion (2.7 per cent of GDP) in 2013-14 and \$14.5 billion (0.8 per cent of GDP) in 2016-17.

Part 1: Overview

The deterioration in the budget position since the 2013 PEFO reflects two key factors:

- the softer economic outlook; and
- essential steps to address unresolved issues inherited from the former government.

Firstly, a softening in the economic outlook has resulted in significantly lower nominal GDP, which has largely driven the reduction in tax receipts by more than \$37 billion over the forward estimates. The softer economic outlook, coupled with changes in demand-driven programmes, has also increased payments across the forward estimates.

The Australian economy will continue to transition from resources-investment led growth to broader sources of growth over the forecast period. However, the transition is now forecast to be slower than at the 2013 PEFO. While the fall in resources investment is expected to be sharper than previously forecast, the recovery in the non-resources sector is expected to be more gradual.

As a result, real GDP is forecast to grow at a slower rate of 2½ per cent in 2014-15, compared to 3 per cent in the 2013 PEFO. With domestic prices and wages also forecast to be softer than at the 2013 PEFO, nominal GDP has been revised down significantly.

Table 1.2: Major economic parameters ^(a)

	Forecasts		Projections	
	2013-14	2014-15	2015-16	2016-17
Real GDP	2 1/2	2 1/2	3	3
Employment	3/4	1 1/2	1 1/2	1 1/2
Unemployment rate	6	6 1/4	6 1/4	6 1/4
Consumer Price Index	2 3/4	2	2 1/2	2 1/2
Wage Price Index	2 3/4	2 3/4	4	4
Nominal GDP	3 1/2	3 1/2	4 3/4	4 3/4

(a) Year average unless otherwise stated. Employment, wages and the consumer price index are through the year growth to the June quarter in 2013-14 and 2014-15. The unemployment rate is the rate for the June quarter.

Source: Treasury projections.

Secondly, essential steps have been taken to address unresolved issues inherited from the former Government, which have contributed to the deterioration in the budget position since the 2013 PEFO.

These steps include providing the Reserve Bank of Australia with a grant to strengthen its capacity to withstand future shocks (\$8.8 billion), addressing the funding shortfall from the former Government's inadequate provisioning for its policy relating to offshore processing of illegal maritime arrivals (\$1.2 billion), restoring education funding for Students First — A fairer funding agreement for schools (\$1.2 billion), Commonwealth provisioning in the Contingency Reserve and relevant revenue heads related to unfunded superannuation of New South Wales universities, and removing

the uncertainty associated with the backlog of nearly 100 announced but unlegislated tax and superannuation measures (\$2.9 billion).

The MYEFO takes account of all of the Government's election commitments with the exception of the saving associated with the 12,000 headcount reduction in the public service. The Government remains committed to streamlining the public service, but will review the timing and approach to implementing its commitment in view of the expected headcount reduction required by the former government's efficiency dividends and associated measures. Further decisions on the public service headcount will be taken in light of the findings of the National Commission of Audit.

Other policy decisions since taking office include providing \$995.7 million over six years to fund eight infrastructure projects that were to be funded from the former Government's Regional Infrastructure Fund. These productivity-enhancing infrastructure projects will be co-funded by the states and territories without the failed minerals resource rent tax.

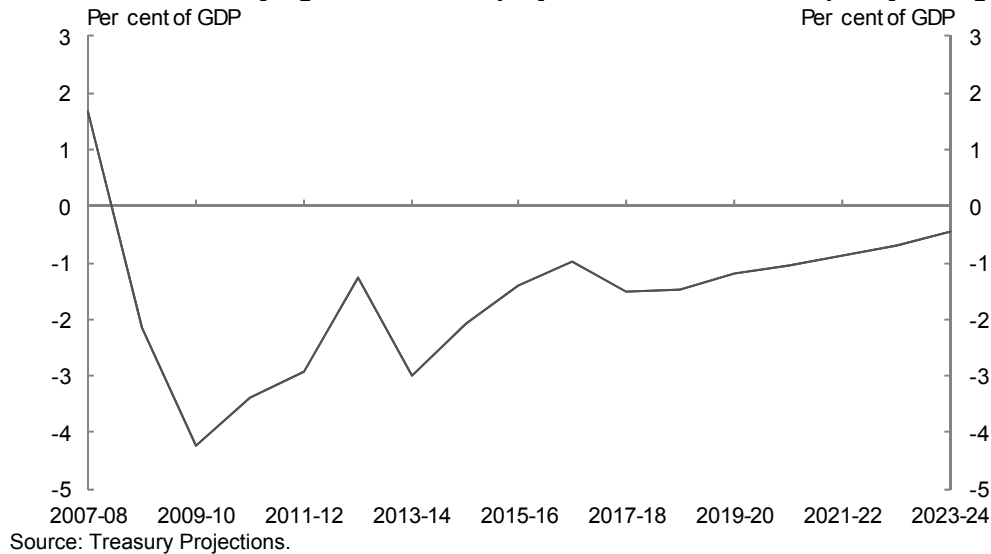
The deterioration in the budget position over the forward estimates is mirrored by a marked deterioration in the projected budget outlook over the medium-term. Without any policy changes, the budget is projected to be in deficit in each and every year to 2023-24 and Commonwealth Government Securities on issue would reach \$667 billion (around 26 per cent of GDP) in 2023-24.

Projected deficits across the medium-term are the result of strong spending growth driven by increasing demand for Government services, particularly health. The former Government's projections of a surplus of 1 per cent of GDP were underpinned by an assumption that real spending growth would be limited to 2 per cent per annum when growth was at or above trend until that surplus target was reached. Actual average real spending growth over the five years to 2012-13 has been almost double that at around 3.5 per cent.

The 2013-14 MYEFO projects the expected annual average real growth rate in spending over the medium-term, after the forward estimates, to be 3.7 per cent. With this underlying spending growth, the budget would remain in deficit even if tax as a share of GDP was allowed to grow through fiscal drag (such as income tax bracket creep) with no tax cuts for another 10 years.

Part 1: Overview

Chart 1.1: Underlying cash balance projected to 2023-24 if no policy change



The Government is taking concerted action to avoid an unsustainable fiscal deterioration unfolding. The weaker fiscal and economic outlook highlights the imperative to focus on policies that enhance productivity, improve efficiency and eliminate wasteful spending, reduce the regulatory burden on businesses and individuals, and reduce the size of government.

There are two related goals: fostering economic growth, and returning the budget to surpluses. Stronger economic growth will assist in returning the budget to surplus and sustainable fiscal policy will promote good macroeconomic outcomes.

The Government is committed to returning the budget to sustainable surpluses that build to at least 1 per cent of GDP by 2023-24.

An essential element in putting in place sustainable fiscal policy settings is the National Commission of Audit, established by the Government to assess the role and scope of government and the efficiency of government spending. The Commission of Audit will be guided in its work by the principles that government should:

- live within its means;
- have respect for taxpayers in the care with which it spends every dollar of revenue; and
- do for people what they cannot do, or cannot do efficiently, for themselves, but no more.

Living within our means requires the elimination of waste, but it will also require people to adjust to reductions in some spending to which they have become

accustomed. Only in this way will the Government be able to sustainably fund the policies that are needed now and in the future.

The Government has already commenced the process of identifying savings by reversing some of the poor decisions taken by the former Government to yield savings of around \$1.1 billion over the forward estimates.

The MYEFO also demonstrates the Government's commitment to greater transparency and includes a revised economic projection methodology and assumption.

- It introduces additional information compared to past budget documents, including detailing the headline cash balance, the inclusion of confidence intervals for forecasts, and a structural budget balance discussion.
- A comprehensive Debt Statement detailing current and projected Commonwealth Government Securities on issue is included at Attachment F.
- It incorporates a revised assumption for the unemployment rate over the projection period and a new methodology for projecting the terms of trade over the medium-term. To better align the projected unemployment rate for 2015-16 and 2016-17 with the assumption for real GDP and the output gap, the unemployment rate is now assumed to remain at its last forecast level of 6¼ per cent in the two projection years. The new methodology for projecting the terms of trade involves a more detailed assessment of volumes and prices for major export categories.

PART 2: ECONOMIC OUTLOOK

OVERVIEW

Since the 2013 PEFO there has been a substantial deterioration in the domestic outlook for both real and nominal GDP growth. The Australian economy is expected to transition from resources to non-resources drivers of growth. But this transition is likely to be slower than previously forecast. Resources investment is expected to fall more sharply, while activity in the non-resources sectors has been subdued, with positive signs in those sectors thus far limited largely to the established housing market, above average measures of consumer sentiment and improving business sentiment. Despite this, sustained low interest rates, particularly if combined with further falls in the exchange rate, should support a recovery across the economy more broadly.

Forecast wage growth has also been revised lower, further weighing on forecast nominal GDP and, in turn, forecast tax receipts and the budget position.

The softness in the non-resources sectors of the economy is weighing on the labour market. Employment growth remains subdued, and the unemployment rate is forecast to rise to 6¼ per cent by mid-2015. The participation rate is falling as older workers leave the workforce and younger workers delay their entry. Wages are growing well below previous expectations – while weighing on household income, this will assist in supporting employment.

The outlook for global growth is subdued, although growth is expected to accelerate over the forward estimates.

The weaker outlook for real GDP growth, coupled with the softer outlook for wage and domestic price growth, has resulted in a substantial downward revision to forecast nominal GDP growth in 2014-15. Higher-than-expected iron ore and other key commodity prices are providing some near-term support to nominal GDP growth. However, the strength in commodity prices is expected to be temporary, with a large increase in supply expected to drive prices lower over the forecast period and beyond.

INTERNATIONAL ECONOMIC OUTLOOK

Global growth remains subdued but is expected to pick up across the forward estimates. World GDP is expected to grow by 2¾ per cent in 2013, well below trend, before picking up gradually to 3½ per cent in 2014 and 3¾ per cent in 2015 (Table 2.1).

Forecast growth in Australia's major trading partners (MTPs) is largely unchanged from the 2013 PEFO, and is expected to remain solid at 4¼ per cent in 2013 and 4½ per cent in both 2014 and 2015. A gradual improvement in Europe and the United States is expected to lead to an increase in external demand flowing through to

China's growth, to Australia's other MTPs in Asia, and to the global economy. Higher growth forecasts for Australia's MTPs compared with the global economy reflect the increasing weight of fast-growing Asian emerging market economies in our MTPs.

Table 2.1: International GDP growth forecasts^(a)

	Actuals	Forecasts					
		2013		2014		2015	
		PEFO	MYEFO	PEFO	MYEFO	PEFO	MYEFO
China(b)	7.7	7 1/4	7 3/4	7 1/2	7 1/2	7 1/2	7 1/4
India(b)	3.8	5	2 3/4	6 1/2	4 3/4	6 1/2	5 1/4
Japan	1.9	1 3/4	1 3/4	1	1 1/4	1	1
United States	2.8	1 1/2	1 3/4	2 1/2	2 1/2	2 1/2	2 3/4
Euro area	-0.6	- 3/4	- 1/2	3/4	3/4	1 1/4	1 1/4
Other East Asia(c)	3.9	3 3/4	3 3/4	4 3/4	4 1/2	5	4 3/4
Major trading partners	4.1	4	4 1/4	4 1/2	4 1/2	4 3/4	4 1/2
World	3.2	3	2 3/4	3 3/4	3 1/2	4	3 3/4

(a) World, euro area and other East Asia growth rates are calculated using GDP weights based on purchasing power parity (PPP), while growth rates for major trading partners are calculated using export trade weights.

(b) Production-based measure of GDP.

(c) Other East Asia comprises the newly industrialised economies (NIEs) of Hong Kong, South Korea, Singapore and Taiwan and the Association of Southeast Asian Nations group of five (ASEAN-5), which comprises Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

Source: National statistical agencies, IMF *World Economic Outlook* October 2013, Thomson Reuters and Treasury.

For **China**, the outlook has improved and stabilised. Economic growth strengthened to 7.8 per cent through the year to the September quarter 2013, partly reflecting the increase in state-supported infrastructure spending that was introduced in the middle of the year. Accordingly, the forecast for 2013 has been revised up to 7¾ per cent.

Continued solid growth is expected for China over the forecast horizon, but China's long-term prospects depend on whether authorities can successfully implement necessary structural reforms, including those related to the financial system. While supporting economic growth in 2013, state-led investment is expected to progressively give way to a more market-driven system of allocating capital, consistent with recent policy announcements by the Chinese authorities at their Third Plenum. Although likely to improve China's long-term growth prospects, these market-oriented reforms and the transition away from state-led investment are expected to weigh on aggregate investment in the near term, with economic growth forecast to moderate to 7½ per cent in 2014 and 7¼ per cent in 2015.

The prospect of far-reaching economic reforms in China also raises the risk of a policy misstep by the authorities, as they try to overcome economic and political difficulties in implementing their agenda. Meanwhile, the possibility of a sharp rise in bad loans following the very large and rapid credit expansion in recent years and poor outcomes in advanced economies present continuing risks to China's growth outlook.

The **United States** has continued its modest but steady recovery and, barring further adverse developments, is poised for stronger economic outcomes. In the short term,

the recent fiscal impasse had only a minor impact on the recovery and the 10 December announced budget deal, while small in scale, will most likely avert another shutdown in 2014. Of more concern is the continued uncertainty around fiscal policy, which has raised questions about the ability of the United States political system to compromise to achieve workable solutions to longer-term fiscal challenges.

The strength of economic data over coming months will eventually determine the start date for tapering of the United States Federal Reserve's Asset Purchase Program. The normalisation of monetary policy is likely to be accompanied by financial market adjustments which could be beneficial to other countries but may also produce volatility, particularly for emerging markets. However, a stronger United States economy will be beneficial for the global economy. Part of the challenge for policy makers is managing expectations, particularly given the previous wrong-footing of market expectations of a September start date for tapering of the Asset Purchase Program.

The **euro area** has been experiencing some respite, with the most sustained period of financial market calm since the start of the crisis. This has been accompanied by some encouraging data including, in the June quarter 2013, the first positive GDP growth after six consecutive quarters of contraction.

Still, the outlook for the euro area remains subject to considerable risk. In reaffirming its accommodative monetary policy stance, and cutting its key policy rate in early November, the European Central Bank characterised the recovery as weak, fragile and uneven. The euro area unemployment rate remains at a record high, credit conditions remain tight, and fiscal consolidation will continue to weigh on growth. The banking sector is a persistent vulnerability, and the banking union remains a long-term project beset by political differences. The comprehensive assessment of euro area banks, in particular the Asset Quality Review, led by the European Central Bank and due to be completed by October 2014, could lead to a re-escalation of the region's crisis if it is not seen as credible or reveals serious concerns about the viability of euro area banks while policy responses remain inadequate. While broadly factored in by markets, the prospect of further Greek debt restructuring could reignite euro area political tensions and raise global financial market volatility.

In **Japan**, the short-term outlook has been substantially boosted by fiscal and monetary stimulus, but a sustained recovery relies on structural reforms to lift long-term growth. While the initial tranche of the Japanese Government's structural reforms has been legislated, its benefits and the prospects for further reform remain unclear.

A looming challenge for Japan will be supporting growth and confidence in the recovery following the increase in the consumption tax in April 2014. While the tax increase is accompanied by fiscal stimulus and makes an important contribution towards longer-term fiscal consolidation, there is uncertainty around its near-term impact on the economy. Further quantitative easing from the Bank of Japan could also

Part 2: Economic Outlook

be in prospect if needed to support growth and meet its 2 per cent inflation target in 2015.

Since May, expectations that the United States Federal Reserve would soon begin to taper its asset purchase program have led to large capital outflows and currency depreciation in a number of emerging market economies. Economies with large current account deficits and a large presence of foreign investors in their equity and bond markets, like India and Indonesia, have been particularly affected. While the impact has been manageable to date, and there has been some relief with the delay in tapering, risks remain.

Amid these developments, there has been a reassessment of the medium-term growth prospects of emerging market economies. **India** in particular faces structural impediments to growth and much needed private investment. In conjunction with the subdued global environment and weak growth outcomes, this has led to large downward revisions to Indian growth across the forecast period. Solid monsoon rains and improving net exports may underpin a modest recovery in India but, given global volatility, significant downside risks remain. While **ASEAN** economies also face tight financial conditions and structural impediments to growth, a gradual pickup in exports to advanced economies and relatively resilient domestic demand and policy settings are expected to support continued growth at reasonably robust levels.

DOMESTIC ECONOMIC OUTLOOK

Since the 2013 PEFO, there has been a significant downgrade to forecast nominal GDP growth, reflecting lower forecast growth in the real economy, wages and domestic prices. The downward revision to forecast nominal GDP growth flows through to lower forecast tax receipts and a further deterioration in the budget bottom line.

The Australian economy is forecast to grow by 2½ per cent in both 2013-14 and 2014-15 as it transitions from resources to non-resources drivers of growth. This transition is unlikely to be seamless, with data since the 2013 PEFO suggesting a slower-than-anticipated recovery in the non-resources sectors of the economy and a sharper decline in resources investment over the forecast period. As a consequence, employment growth is expected to remain subdued, and wage growth is forecast to remain well below trend. The implied forecasts for calendar year 2013 and 2014 are broadly consistent with Consensus forecasts and the IMF (Charts 2.1 to 2.4).

The key driver of economic growth in recent years has been very strong **resources investment**. Over the past decade, investment in the resources sector has more than quadrupled as a share of GDP and the capital stock is now three times larger. The latest Private New Capital Expenditure and Expected Expenditure (CAPEX) survey suggests that resources investment will remain at elevated levels in 2013-14, supported by investment in Liquefied Natural Gas (LNG) projects. However, from 2014-15, resources investment is expected to start sharply detracting from growth. The forecast

decline in resources investment is now steeper than it was at the 2013 PEFO, with the sector having become increasingly focused on containing costs.

With the resources boom continuing its transition to the production phase, **resources exports** will begin to make up a greater share of real GDP growth. Already, they are making a sizeable contribution to growth, underpinned by rapidly expanding iron ore supply. LNG exports should also make a significant contribution to export growth from around the middle of the decade.

While resources exports will grow strongly over the forecast period, activity outside the resources sector will need to increase to fill the gap created by falling resources investment. Recovering global economic growth, low interest rates and a somewhat lower exchange rate will support this recovery. There are signs that confidence is picking up in the business sector, including in the National Australia Bank's indicator of business confidence and other private sector business surveys.

Nevertheless, this is yet to be fully reflected in current levels of activity and **business investment** has been downgraded since the 2013 PEFO. Businesses in the non-resources sectors are continuing to exercise caution in their investment decisions. While the latest CAPEX data suggest that investment intentions in the non-resources sectors of the economy have improved in recent months, firms outside of the resources sectors only expect to invest around the same amount (in nominal terms) as they did in 2006-07.

Dwelling investment has also been weaker than expected at the 2013 PEFO, with investment falling unexpectedly in the September quarter. Still, established house prices, auction clearance rates, and new dwellings approvals have all grown strongly recently, and suggest a pick-up in investment in coming months. Finance commitments for new dwellings are now 12.4 per cent higher than a year ago and building approvals have improved noticeably from their trough in early 2012. Higher house prices could initiate a stronger investment response, in part by encouraging the development of existing land holdings. Suggestions of risks emanating from an over-exuberant housing sector remain premature.

With the slower-than-expected recovery in the non-resources sectors, **employment growth** across the economy remains subdued. Forecast employment growth has been revised down to $\frac{3}{4}$ of a per cent through the year to the June quarter 2014, but is still expected to strengthen in 2014-15, supported by lower forecast wage growth and the additional incentive this creates for firms to employ workers. The **unemployment rate** is expected to drift up to $6\frac{1}{4}$ per cent by the June quarter of 2015.

The recent rise in the unemployment rate has been limited by the fall in the **participation rate**. The fall in the participation rate reflects both demographic factors as the first of the baby-boomer generation reach retirement age and a 'discouraged worker' effect, with some younger workers opting out of the difficult search for work in the non-resources sectors of the economy.

Part 2: Economic Outlook

Forecast **wage growth** has been revised down to $2\frac{3}{4}$ per cent through the year to the June quarters of both 2014 and 2015. Wage flexibility is an important adjustment mechanism that supports employment during periods of slower economic growth. The current environment of slow wage growth is the flip side of the experience in the mid-2000s when wages grew strongly and capacity constraints emerged as the resources investment boom gathered steam. The subdued outlook for employment and wage growth means that total compensation of employees is expected to continue growing at its slowest rate since the early 1990s.

Slowing wage growth and household concerns around rising unemployment are restraining **consumer spending**, though growth in household consumption has been supported by growth in household wealth as house and equity prices rise. Still, with wages growing, in through the year terms, at their slowest rate since the March quarter 2000, forecast growth in consumer spending in 2013-14 has been revised lower to 2 per cent.

The **household saving ratio** has remained high relative to the period immediately before the global financial crisis, and it is clear that there has been a structural increase in household savings. The household saving ratio is forecast to drift down a little over the forecast period, but remain well above levels seen before the global financial crisis. There is a risk of weaker consumption spending should households continue to save at current levels.

The easing in wage growth and softness in the non-resources sectors is helping to contain inflationary pressure. **Headline and underlying inflation** are expected to be $2\frac{3}{4}$ per cent through the year to the June quarter of 2014.

Domestic price growth is expected to remain well below average over the forecast period, consistent with weak wage growth and ongoing competitive pressure, particularly in the traded sectors.

Forecasts of the **terms of trade** have been revised a little higher in the near-term, with robust industrial production in China supporting commodity prices, in particular iron ore. Despite this, over coming years, prices for Australia's key commodity exports are expected to ease, in line with growing world supply.

The removal of the carbon tax is expected to lower headline and underlying inflation by less than $\frac{1}{4}$ of a percentage point in 2014-15, relative to the 2013 PEFO, which had factored in the previous Government's policy of moving to a carbon trading system. The removal of the carbon tax is also expected to support household consumption growth in the short term and make a small contribution to national income growth over the longer term.

Forecast **nominal GDP growth** has been revised lower since the 2013 PEFO. This reflects the weaker outlook for real GDP, wages and domestic prices. Nominal GDP is expected to grow by $3\frac{1}{2}$ per cent in 2013-14 and $3\frac{1}{2}$ per cent in 2014-15.

There is always a degree of uncertainty around the forecasts, which can be estimated based on past forecast errors and presented using confidence intervals. The average annualised real GDP growth rate over the two years 2012-13 to 2014-15 is expected to be 2½ per cent, with the 70 per cent confidence interval ranging from 1¾ to 3¼ per cent. Nominal GDP growth forecasts carry with them additional uncertainty. The 70 per cent confidence interval for average annual nominal GDP growth over the forecast period ranges from 2 per cent to 5 per cent. Attachment B of Part 3 provides further detail on the confidence intervals around the forecasts.

There are some clear risks to the domestic outlook. Should the pace of rebalancing toward non-resources drivers of growth disappoint further, real GDP growth and employment growth will be weaker and the unemployment rate higher. The anticipated fall in resources investment could also be sharper than expected, requiring a greater contribution from the non-resources sectors to maintain forecast real GDP growth.

Other risks could result in stronger outcomes. The non-resources sectors could rebound more quickly than expected in response to continued low interest rates or a further depreciation of the Australian dollar. Australian exports may be stronger than anticipated if global growth surprises on the upside, or if resources production ramps up more quickly than expected.

Economic projections

The fiscal aggregates are underpinned by a set of forward estimates consisting of short-term forecasts and two years of projections based on medium-term trends rather than two years of detailed forecasts. Real GDP is projected to grow at its trend rate of around 3 per cent a year over the medium term in line with underlying trends in employment and productivity, though there is a higher than usual risk of below-trend growth in 2015-16 given resources investment is expected to sharply detract from growth. Inflation is projected to be 2½ per cent, the mid-point of the Reserve Bank's target band.

As is standard practice, forecast methodologies and projection assumptions are reviewed from time to time. In this MYEFO, a new assumption for the projected unemployment rate has been adopted and a new methodology for the terms of trade has been developed.

At the end of the forecast period (2014-15), the level of GDP is forecast to be below potential GDP (a negative output gap), and the unemployment rate is forecast to exceed the non-accelerating inflation rate of unemployment (NAIRU). The projection assumption of real GDP growing at trend means the output gap remains unchanged over the projection period. To better align the projected unemployment rate in 2015-16 and 2016-17 with the assumption for real GDP and the output gap, the unemployment

Part 2: Economic Outlook

rate is now assumed to remain at its last forecast level of 6¼ per cent in the two projection years.¹

This new assumption for the projected unemployment rate increases the number of unemployment benefit recipients in the projection period and contributes to the deterioration in the budget bottom line since the 2013 PEFO by \$3.7 billion over the forward estimates.

The revision to the terms of trade methodology is outlined in Box A.

¹ The projection methodology is currently being reviewed with consideration being given to extending the forecast period. A longer forecast period would allow for a more realistic approach to closing output gaps than is available under the current projection methodology.

Table 2.2: Domestic economy forecasts^(a)

	Outcomes(b)	Forecasts			
	2012-13	2013-14		2014-15	
		PEFO	MYEFO	PEFO	MYEFO
Panel A - Demand and output(c)					
Household consumption	2.0	2 1/2	2	3	2 3/4
Private investment					
Dwellings	-0.4	5	3	5 1/2	5 1/2
Total business investment(d)	6.1	1 1/2	-1 1/2	- 1/2	-2
Non-dwelling construction(d)	13.8	1	-1 1/2	-4 1/2	-7
Machinery and equipment(d)	-4.3	1/2	-4 1/2	3	4 1/2
Private final demand(d)	2.8	2 1/4	1 1/4	2 1/2	1 3/4
Public final demand(d)	-1.3	3/4	1	1	1
Total final demand	1.9	2	1 1/4	2	1 1/2
Change in inventories(e)	-0.3	0	0	0	0
Gross national expenditure	1.6	2	1 1/4	2	1 1/2
Exports of goods and services	6.0	6 1/2	5	7	6 1/2
Imports of goods and services	0.3	4	-1	3	2
Net exports(e)	1.2	1/2	1 1/4	1	1
Real gross domestic product	2.7	2 1/2	2 1/2	3	2 1/2
Non-farm product	2.8	2 1/2	2 1/2	3	2 1/2
Farm product	-3.9	4	2	1	1
Nominal gross domestic product	2.5	3 3/4	3 1/2	4 1/2	3 1/2
Panel B - Other selected economic measures					
External accounts					
Terms of trade	-9.8	-5 3/4	-5	-3 3/4	-5
Current account balance (per cent of GDP)	-3.6	-3 3/4	-3 3/4	-3 3/4	-4
Labour market					
Employment(f)	1.3	1	3/4	1 1/2	1 1/2
Unemployment rate (per cent)(g)	5.6	6 1/4	6	6 1/4	6 1/4
Participation rate (per cent)(g)	65.3	65 1/4	64 3/4	65 1/4	64 3/4
Prices and wages					
Consumer price index(h)	2.4	2 1/2	2 3/4	2	2
Gross non-farm product deflator	-0.3	1 1/4	1	1 1/4	3/4
Wage price index(f)	2.9	3 1/4	2 3/4	3 1/4	2 3/4

(a) Percentage change on preceding year unless otherwise indicated.

(b) Calculated using original data unless otherwise indicated.

(c) Chain volume measures except for nominal gross domestic product which is in current prices.

(d) Excluding second-hand asset sales from the public sector to the private sector.

(e) Percentage point contribution to growth in GDP.

(f) Seasonally adjusted, through-the-year growth rate to the June quarter.

(g) Seasonally adjusted rate for the June quarter.

(h) Through-the-year growth rate to the June quarter.

Source: ABS cat. no. 5206.0, 5302.0, 6202.0, 6345.0, 6401.0, unpublished ABS data and Treasury.

Note: The forecasts are based on several technical assumptions. The exchange rate is assumed to remain around its recent average level — a trade-weighted index of around 70 and a United States dollar exchange rate of around 91 US cents. Interest rates are assumed to move in line with market expectations. World oil prices (Malaysian Tapis) are assumed to remain around US\$118 per barrel. The farm sector forecasts are based on an assumed return to average seasonal conditions.

Chart 2.1: Consensus real GDP forecasts for calendar year 2013

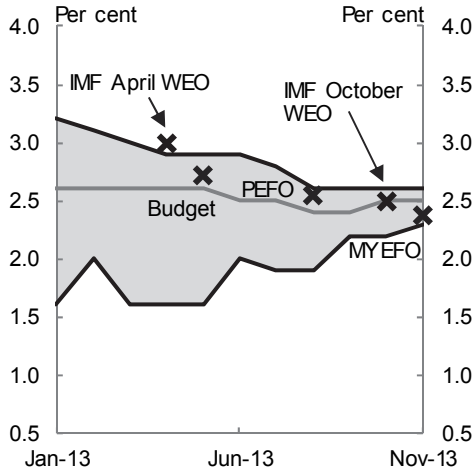
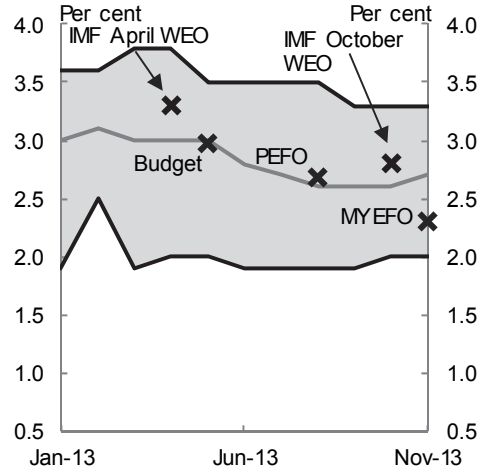


Chart 2.2: Consensus real GDP forecasts for calendar year 2014



Note: The top and bottom lines represent range of Consensus forecasts. The centre line represents Consensus mean forecast.
Source: Consensus Economics and Treasury.

Chart 2.3: Consensus unemployment rate forecasts for calendar year 2013

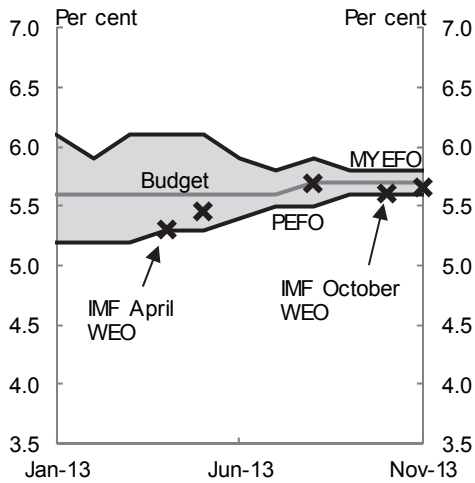
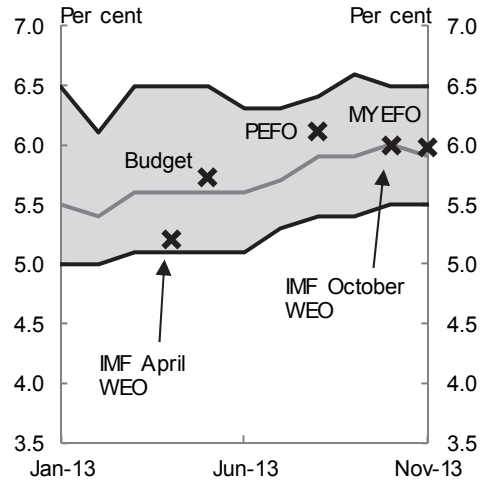


Chart 2.4: Consensus unemployment rate forecasts for calendar year 2014



Note: The top and bottom lines represent range of Consensus forecasts. The centre line represents Consensus mean forecast.
Source: Consensus Economics and Treasury.

Box A: Medium-term projection of the terms of trade

A new methodology for projecting the terms of trade over the medium term has been adopted in MYEFO (Chart 1). Since the 2010-11 Budget, the terms of trade have been assumed to fall by 20 per cent over 15 years from the beginning of the projection period. This approach was silent on when the expected decline would end and the level they would settle at in the long run.

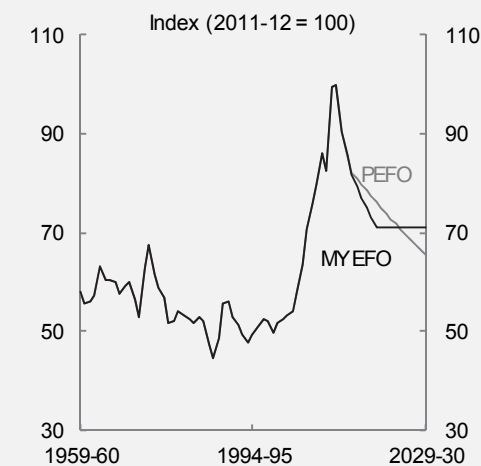
The new methodology takes into account the three phases of the mining boom. The initial *demand phase* over which there was a rapid rise in prices and a modest increase in supply; the current *supply phase* during which the capacity built over the demand phase is employed thereby rapidly increasing supply and lowering prices; and an expected *balanced growth phase* (or long-run path) where demand and supply are expected to move together, and the terms of trade display no secular trend.

The new methodology is based on a bottom-up forecasting framework. Each element of the terms of trade (that is, trade volumes and prices for major export categories) has been modelled using extensions of existing short-run econometric forecasting models, expert advice and credible publicly available information. A critical element of the framework is modelling the evolving global demand and supply balance for the three major bulk commodities (iron ore, metallurgical coal and thermal coal).

This framework suggests the supply phase will end around 2017-18 with the long-run terms of trade settling around their level in 2006-07. There are a number of downside risks to this outlook including uncertainty around the global economy, the nominal exchange rate and non-bulk commodity price forecasts. Applying prudent judgement to the model's outcome results in a long-run terms of trade that settles at the level observed in 2005-06 by 2019-20.

This change reduces nominal GDP growth in the projection period and contributes to the deterioration in the budget bottom line since the 2013 PEFO by \$2 billion over the forward estimates.

Chart A: Projections of Australia's terms of trade



Source: ABS cat. no. 5204.0 and Treasury.

PART 3: FISCAL OUTLOOK

OVERVIEW

The 2013-14 MYEFO delivers on the Government's commitment to release a comprehensive and realistic statement on the budget position. It outlines the size of the task to return the budget to sustainable surpluses and to reduce government debt.

There has been a marked deterioration in the fiscal outlook since the 2013 PEFO.

The underlying cash balance has deteriorated by \$16.8 billion in the 2013-14 year and by \$68.1 billion over the forward estimates. As a result, a deficit of \$47.0 billion is forecast in 2013-14 and deficits totalling \$123 billion are projected over the forward estimates.

Table 3.1: Budget aggregates

	Estimates					
	2013-14			2014-15		
	Budget	PEFO	MYEFO	Budget	PEFO	MYEFO
Underlying cash balance(\$b)(a)	-18.0	-30.1	-47.0	-10.9	-24.0	-33.9
Per cent of GDP	-1.1	-1.9	-3.0	-0.6	-1.5	-2.1
Fiscal balance(\$b)	-13.5	-25.5	-41.8	-6.3	-22.1	-31.5
Per cent of GDP	-0.8	-1.6	-2.7	-0.4	-1.3	-1.9
	Projections					
	2015-16			2016-17		
	Budget	PEFO	MYEFO	Budget	PEFO	MYEFO
Underlying cash balance(\$b)(a)	0.8	-4.7	-24.1	6.6	4.2	-17.7
Per cent of GDP	0.0	-0.3	-1.4	0.4	0.2	-1.0
Fiscal balance(\$b)	6.0	1.8	-18.8	10.8	7.8	-14.5
Per cent of GDP	0.3	0.1	-1.1	0.6	0.4	-0.8

(a) Excludes expected net Future Fund earnings.

The deterioration in the budget position since the 2013 PEFO reflects the following key facts:

- Slower growth in real GDP, together with softer domestic prices and wages, have resulted in significantly lower nominal GDP, which has largely driven the reduction in tax receipts by more than \$37 billion over the forward estimates.
- The softer economic outlook, coupled with changes in demand-driven programmes and the revised assumption for projecting the unemployment rate, has increased total payments by \$11.3 billion over the forward estimates.
- Actions by the Government to address the legacy issues inherited from the former Government have impacted on the budget position over the forward estimates, with the largest of these elements being the \$8.8 billion grant to the Reserve Bank of Australia.

The financial implications of the Government's election commitments are fully incorporated in this MYEFO, with the exception of the commitment to reduce the headcount of the Australian Public Service (APS) by 12,000. This commitment will be reviewed in light of the findings of the National Commission of Audit. The Government remains committed to streamlining the public sector in the context of the expected headcount reduction implicit in the former Government's efficiency dividends and associated measures.

Resolving legacy issues from the former Government

In this MYEFO, the Government has taken a number of revenue and spending decisions and included provisioning in the Contingency Reserve (for expenses) or against relevant revenue heads, to deal with a number of unfunded policy issues inherited from the former Government.

The largest financial impact relates to the decision to provide the Reserve Bank of Australia with an \$8.8 billion grant to rebuild its reserve fund to a level deemed prudent by the Reserve Bank Board. This will enhance the Reserve Bank's capacity to conduct its monetary policy and foreign exchange operations.

Other legacy issues where additional costs have been incurred include the following:

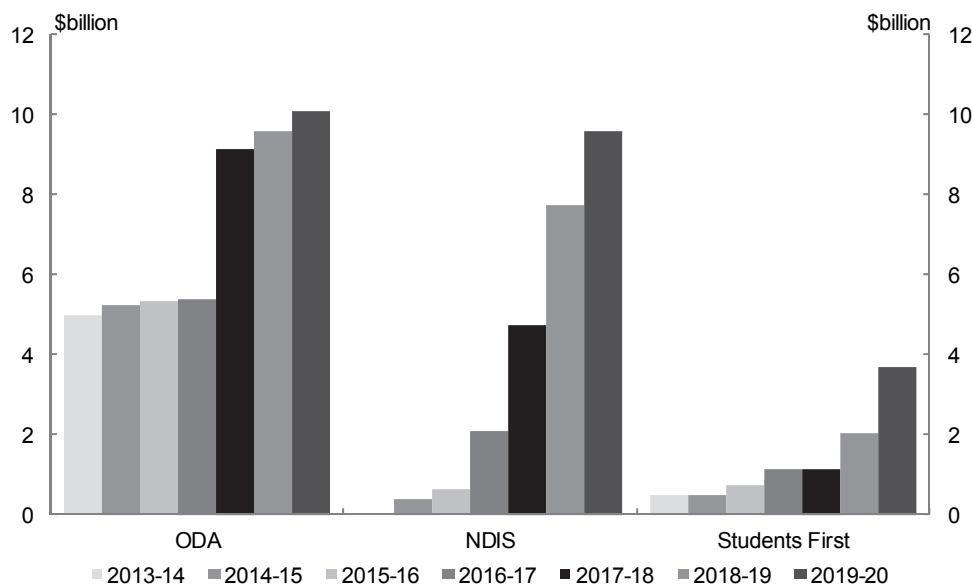
- Addressing the uncertainty for businesses and households associated with the backlog of 92 announced but unlegislated tax and superannuation measures will cost \$2.9 billion over the forward estimates. The Government has reviewed the measures and has decided to proceed with 34 measures as announced, not to proceed with 55 measures, and to proceed with three measures with amendment.
- Restoring funding for schools to the level announced in the 2013-14 Budget by providing \$1.2 billion in funding across the forward estimates for Queensland, Western Australia, and the Northern Territory for Students First – A fairer funding agreement for schools.
- A funding shortfall of around \$1.2 billion over the forward estimates inherited from the former Government's inadequate provisioning for its offshore processing policy for illegal maritime arrivals.
- Commonwealth provisioning in the Contingency Reserve and relevant revenue heads related to unfunded superannuation liabilities of New South Wales universities.
- Provisioning in the Contingency Reserve for the unfunded redundancies associated with the reduction of 14,473 APS staff implicit in the former Government's policy settings.

The Government has also identified agencies with critical funding shortfalls for their operations or capital requirements, such as the Australian Competition and Consumer

Commission, and is taking steps to review these agencies comprehensively and develop solutions to place them on a more sustainable operational footing. The outcomes of this work will be outlined in the 2014-15 Budget.

The significant pressures on the budget continue immediately beyond the forward estimates, where large demand-driven programmes begin to ramp-up significantly. This is particularly evident beyond 2016-17 in funding for official development assistance, the National Disability Insurance Scheme, and Students First – A fairer funding agreement for schools (Chart 3.1 below).

Chart 3.1: Payments for official development assistance (ODA), the National Disability Insurance Scheme (NDIS), and Students First projected from 2013-14 to 2019-20



Note: Over the forward estimates official development assistance is grown in line with inflation, consistent with the Government's election commitment. The medium-term projections for official development assistance assume a return to the former Government's target of 0.5 per cent of gross national income from 2017-18. The projections for Schools First assume all States and Territories participate and there are no changes to the former Government's policy except those announced publicly on 2 December 2013. The projections for NDIS are based on the current policy.

Source: Treasury projections

Delivering on the Government's election commitments

The Government's election commitments have been fully accounted for in the 2013-14 MYEFO with the exception of savings from reducing the size of APS. Taken together, with potential savings from streamlining the APS, there would be a positive impact on the budget position.

With regard to key election commitments included as decisions in the MYEFO, legislation to repeal the carbon tax was introduced into Parliament on 13 November 2013. Repealing this tax will reduce cost pressures on households and

Part 3: Fiscal outlook

businesses, and is consistent with the Government's plan for a stronger economy built on lower taxes, less regulation and a stronger private sector.

The total impact of the repeal of the carbon tax and associated measures is a net deterioration in the budget of \$7.4 billion over the forward estimates period. This cost reflects, in part, the Government's decision to retain the current personal income tax rates while abolishing the carbon tax, and to maintain the increases in fortnightly pensions and benefit rates that were introduced with the carbon tax.

Legislation to repeal the minerals resource rent tax was also introduced into Parliament on 13 November 2013. The Bill also repeals or revises a number of related measures, the costs of which were intended to be met by revenue from the minerals resource rent tax, including the company tax loss carry-back arrangements, Schoolkids Bonus, the Regional Infrastructure Fund and the Regional Development Australia Fund, and the superannuation guarantee charge increase. The total value of measures in the Bill is \$13.4 billion over the forward estimates.

An important element of repairing the budget position is to boost growth and productivity. Accordingly, the Government is embarking on an ambitious infrastructure investment programme through the Auslink Programme to fast track essential projects and increase funding so that we can start building the transport infrastructure that Australia needs for the 21st century.

This Government will provide an additional \$8.2 billion over six years, bringing the total land transport infrastructure investment from 2013-14 to 2018-19 to \$34.5 billion. Significant projects being funded under the Auslink Programme to meet the Government's election commitments include East-West Link in Melbourne, WestConnex in Sydney, the Toowoomba Second Range Crossing and Melbourne to Brisbane Inland Rail. These projects will help to alleviate congestion in our cities, link our regions, improve safety across our road network and underpin business productivity.

Commitments where details are yet to be finalised have been provisioned for in the Contingency Reserve and related revenue heads as estimates variations. This is consistent with the treatment of outstanding election commitments in the MYEFO following the 2004 and the 2010 Federal elections. These commitments will be detailed in the 2014-15 Budget.

The election commitment that has not been incorporated into MYEFO is the \$5.2 billion saving from reducing the public sector headcount by 12,000 through natural attrition.

Other policy decisions

The Government will provide \$996 million over six years for eight infrastructure projects previously funded from the former Government's Regional Infrastructure Fund. The Government will fund these productivity-enhancing infrastructure projects

without the minerals resource rent tax. These projects include the Great Northern Highway – Muchea to Wubin and the North West Coastal Highway – Minilya to Barradale, which will be co-funded by the States and Territories.

The Government has begun the process of identifying responsible savings as a down payment towards repairing the budget. A net save of \$1.1 billion over the forward estimates will be achieved from not proceeding with various uncommitted discretionary grants or spending commitments announced by the former Government in the 2013 Economic Statement or before the 2013 PEFO, while accepting most of the offsetting saves identified as part of these spending packages.

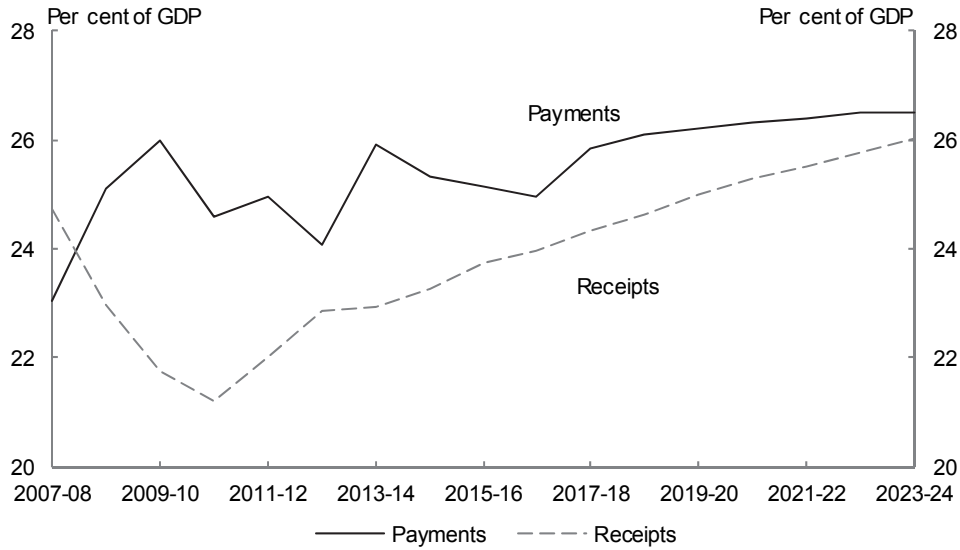
In addition, the Government has begun a process to streamline government and reduce duplication, starting with the abolition or rationalisation of over 20 non-statutory bodies where activities are no longer needed or can be managed within existing departmental resources.

MEDIUM TERM

The deterioration in the financial position of the Commonwealth over the forward estimates since the 2013 PEFO is mirrored in a marked deterioration in the projected underlying cash balance over the medium term, in the absence of remedial action.

Without policy change, average annual real expenditure growth of 3.7 per cent is projected over the period from 2016-17 to 2023-24. Even if it is assumed that tax as a share of GDP was allowed to grow through fiscal drag, including income tax bracket creep (see Chart 3.2 below), the budget would remain in deficit in every year through to 2023-24 (see Chart 3.3 below).

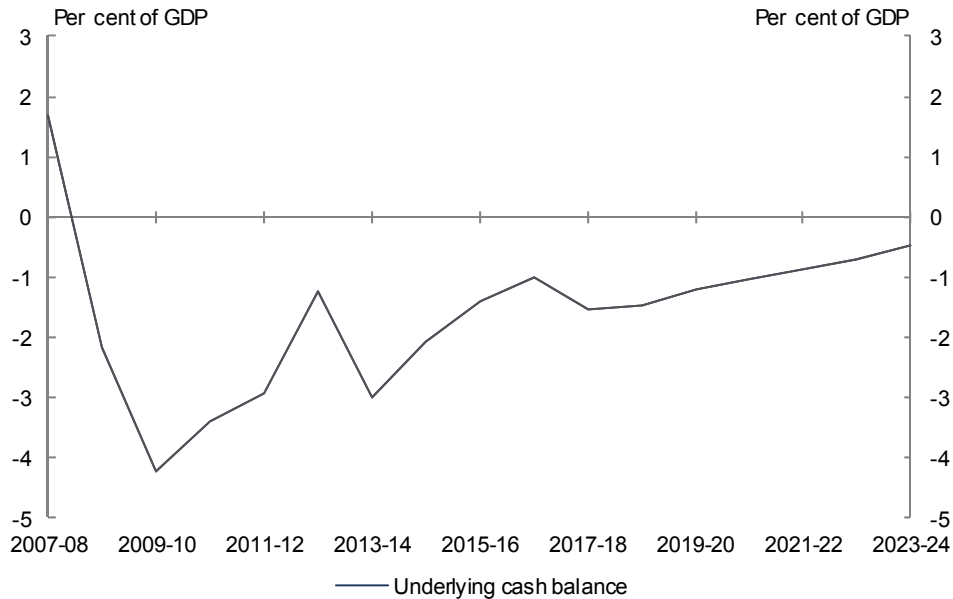
Chart 3.2: Payments and receipts projected to 2023-24



Note: Payments and receipts exclude Future Fund payments and earnings, which are also not included in the underlying cash balance.

Source: Treasury projections.

Chart 3.3: Underlying cash balance projected to 2023-24



Note: The underlying cash balance excludes Future Fund earnings and payments.

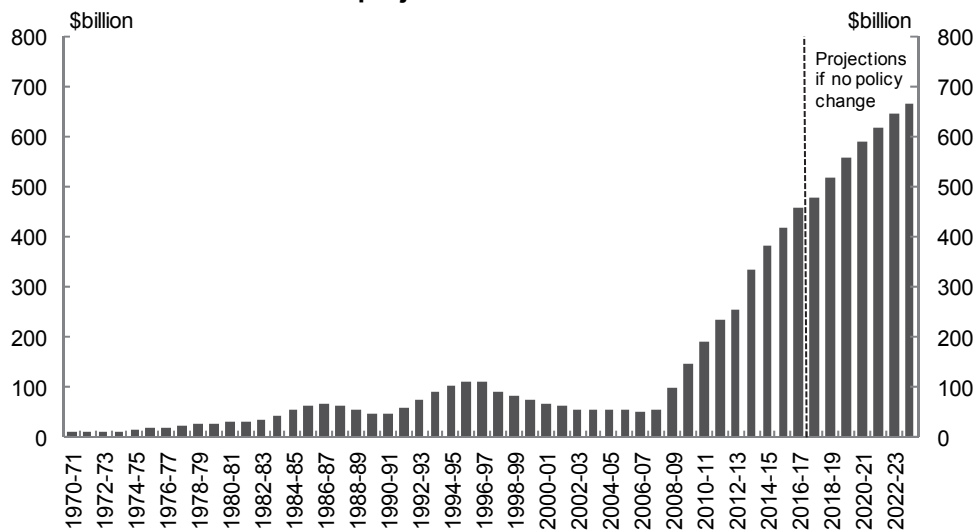
Source: Treasury projections.

If tax cuts were provided in order to return fiscal drag, including income tax bracket creep, and prevent average tax rates increasing, the budget would produce even larger deficits over the medium term to 2023-24. In addition to growing the economy, this highlights that the heavy lifting to achieve a surplus must come through expenditure

restraint as a rising personal income tax burden would also have negative impacts on workforce participation.

In addition, deficits in each and every year, without remedial action, would contribute to a substantial increase in Commonwealth Government Securities on issue, which would rise to \$667 billion by 2023-24 (around 26 per cent of GDP) (Chart 3.4).

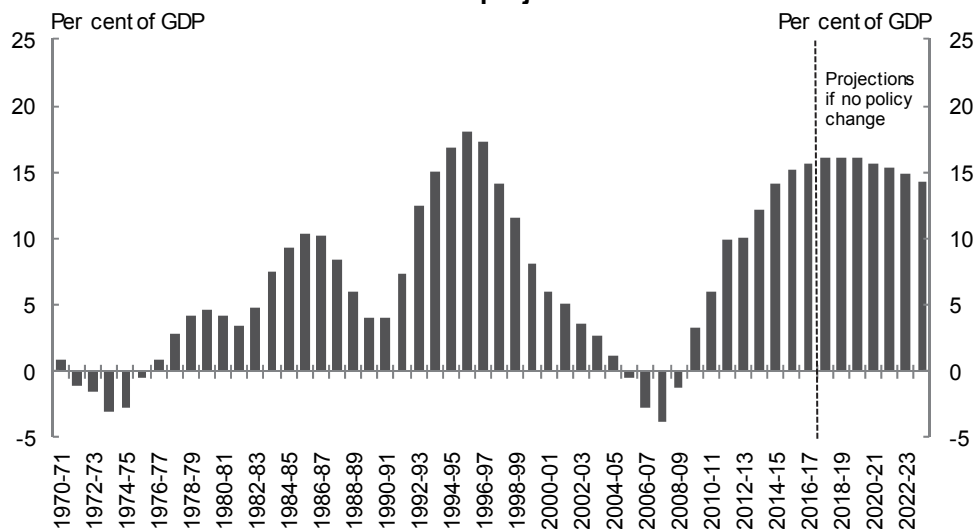
Chart 3.4: Face value of Commonwealth Government Securities on issue projected to 2023-24



Source: Treasury projections.

Net debt would continue to rise, peaking at 16.2 per cent of GDP in 2018-19 (Chart 3.5).

Chart 3.5: Net debt projected to 2023-24



Source: Treasury projections.

FISCAL STRATEGY

The Government has inherited a budget in significant need of repair.

Undertaking systemic fiscal repair to return the Budget to surplus and to reduce debt is a key election commitment of the Government.

The Government has a clear plan to deliver on this commitment.

The Government has committed to restoring public sector finances by returning the budget to sustainable surpluses that build to at least 1 per cent of GDP by 2023-24.

The Government has established the National Commission of Audit to assess the role and scope of Government, as well as ensuring taxpayers' money is spent wisely and in an efficient manner. The Commission will provide its Phase 1 report to Government at the end of January and Phase 2 report at the end of March 2014. The recommendations of the National Commission of Audit will provide the platform for the 2014-15 Budget for reducing government spending.

At the same time, it is critical that Australia lifts its potential rate of economic growth and productivity in order to deliver sustained growth in living standards over the decades ahead. Quality investments in infrastructure, significant reductions in red tape and a system of government that encourages innovation will support productivity growth and, in turn, stronger economic growth.

Consistent with the requirements of the *Charter of Budget Honesty Act 1998*, the Government will outline the full detail of its medium-term fiscal strategy in the 2014-15 Budget.

BUDGET AGGREGATES

The underlying cash deficit is expected to be \$47.0 billion (3.0 per cent of GDP) in 2013-14, improving to a deficit of \$17.7 billion (1.0 per cent of GDP) in 2016-17. In accrual terms, the fiscal balance deficit is expected to be \$41.8 billion (2.7 per cent of GDP) in 2013-14, improving to a deficit of \$14.5 billion (0.8 per cent of GDP) in 2016-17.

Net debt is expected to be \$191.5 billion (12.1 per cent of GDP) in 2013-14 and is expected to reach \$280.5 billion (15.7 per cent of GDP) in 2016-17.

The face value of Commonwealth Government Securities on issue is expected to rise over the forward estimates to a within-year peak of around \$460 billion in 2016-17.

Table 3.2: Australian Government general government sector budget aggregates

	Estimates			
	2013-14		2014-15	
	PEFO \$b	MYEFO \$b	PEFO \$b	MYEFO \$b
Receipts	369.5	364.9	390.3	382.7
Per cent of GDP	23.6	23.1	23.9	23.5
Payments(a)	396.6	409.0	411.3	413.7
Per cent of GDP	25.3	25.9	25.1	25.4
Net Future Fund earnings	2.9	2.9	3.0	3.0
Underlying cash balance(b)	-30.1	-47.0	-24.0	-33.9
Per cent of GDP	-1.9	-3.0	-1.5	-2.1
Revenue	379.9	373.9	397.7	387.9
Per cent of GDP	24.2	23.7	24.3	23.8
Expenses	401.5	412.1	416.0	417.8
Per cent of GDP	25.6	26.1	25.4	25.6
Net operating balance	-21.5	-38.1	-18.2	-29.9
Net capital investment	4.0	3.7	3.8	1.6
Fiscal balance	-25.5	-41.8	-22.1	-31.5
Per cent of GDP	-1.6	-2.7	-1.3	-1.9
<i>Memorandum item:</i>				
Headline cash balance	-37.2	-51.6	-33.6	-42.4
	Projections			
	2015-16		2016-17	
	PEFO \$b	MYEFO \$b	PEFO \$b	MYEFO \$b
Receipts	423.4	409.1	450.8	432.8
Per cent of GDP	24.6	24.0	24.8	24.2
Payments(a)	424.9	430.0	443.2	447.1
Per cent of GDP	24.6	25.2	24.4	25.0
Net Future Fund earnings	3.2	3.1	3.4	3.4
Underlying cash balance(b)	-4.7	-24.1	4.2	-17.7
Per cent of GDP	-0.3	-1.4	0.2	-1.0
Revenue	433.3	417.4	464.6	445.0
Per cent of GDP	25.1	24.4	25.6	24.9
Expenses	430.9	436.0	454.5	457.1
Per cent of GDP	25.0	25.5	25.0	25.6
Net operating balance	2.4	-18.6	10.1	-12.1
Net capital investment	0.5	0.2	2.3	2.4
Fiscal balance	1.8	-18.8	7.8	-14.5
Per cent of GDP	0.1	-1.1	0.4	-0.8
<i>Memorandum item:</i>				
Headline cash balance	-14.0	-31.7	-5.9	-25.8

(a) Equivalent to cash payments for operating activities, purchase of non-financial assets and net acquisition of assets under finance leases.

(b) Excludes expected net Future Fund earnings.

Underlying cash balance estimates

The 2013-14 underlying cash deficit is expected to be \$28.9 billion larger than expected in the 2013-14 Budget, and \$16.8 billion larger than expected in the 2013 PEFO.

Table 3.3: Summary of Australian Government general government sector cash flows^(a)

	Estimates			
	2013-14		2014-15	
	PEFO \$b	MYEFO \$b	PEFO \$b	MYEFO \$b
Cash receipts				
Operating cash receipts	369.0	364.5	388.1	380.5
Capital cash receipts(b)	0.4	0.4	2.2	2.3
Total cash receipts	369.5	364.9	390.3	382.7
Cash payments				
Operating cash payments	386.8	398.7	401.4	403.5
Capital cash payments(c)	9.4	9.9	10.0	10.2
Total cash payments	396.2	408.6	411.3	413.7
Finance leases and similar arrangements(d)	0.5	0.5	0.0	0.0
GFS cash surplus(+)/deficit(-)	-27.2	-44.1	-21.0	-31.0
Per cent of GDP	-1.7	-2.8	-1.3	-1.9
<i>less</i> Net Future Fund earnings	2.9	2.9	3.0	3.0
Underlying cash balance(e)	-30.1	-47.0	-24.0	-33.9
Per cent of GDP	-1.9	-3.0	-1.5	-2.1
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes	-10.0	-7.5	-12.6	-11.5
<i>plus</i> Net Future Fund earnings	2.9	2.9	3.0	3.0
Headline cash balance	-37.2	-51.6	-33.6	-42.4
	Projections			
	2015-16		2016-17	
	PEFO \$b	MYEFO \$b	PEFO \$b	MYEFO \$b
Cash receipts				
Operating cash receipts	420.8	406.4	450.6	432.6
Capital cash receipts(b)	2.6	2.7	0.2	0.2
Total cash receipts	423.4	409.1	450.8	432.8
Cash payments				
Operating cash payments	415.7	420.8	434.5	437.9
Capital cash payments(c)	9.2	9.3	8.8	9.2
Total cash payments	424.9	430.0	443.2	447.1
Finance leases and similar arrangements(d)	0.0	0.0	0.0	0.0
GFS cash surplus(+)/deficit(-)	-1.5	-20.9	7.6	-14.3
Per cent of GDP	-0.1	-1.2	0.4	-0.8
<i>less</i> Net Future Fund earnings	3.2	3.1	3.4	3.4
Underlying cash balance(e)	-4.7	-24.1	4.2	-17.7
Per cent of GDP	-0.3	-1.4	0.2	-1.0
<i>Memorandum items:</i>				
Net cash flows from investments in financial assets for policy purposes	-12.5	-10.7	-13.5	-11.5
<i>plus</i> Net Future Fund earnings	3.2	3.1	3.4	3.4
Headline cash balance	-14.0	-31.7	-5.9	-25.8

(a) The numbers for PEFO were not published in the 2013 PEFO.

(b) Equivalent to cash receipts from the sale of non-financial assets in the cash flow statement.

(c) Equivalent to cash payments for purchases of non-financial assets in the cash flow statement.

(d) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.

(e) Excludes expected net Future Fund earnings.

Table 3.4 provides a reconciliation of the changes in the underlying cash balance since the 2013-14 Budget.

Table 3.4: Reconciliation of Australian Government general government sector underlying cash balance estimates

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
2013-14 Budget underlying cash balance(a)	-18,043	-10,888	849	6,591
Per cent of GDP	-1.1	-0.6	0.0	0.4
Changes from 2013-14 Budget to 2013 PEFO				
Effect of policy decisions(b)	-374	-1,663	3,315	6,915
Effect of parameter and other variations	-11,725	-11,429	-8,826	-9,307
Total variations	-12,099	-13,093	-5,511	-2,392
2013 PEFO underlying cash balances(a)	-30,142	-23,981	-4,662	4,199
Per cent of GDP	-1.9	-1.5	-0.3	0.2
Changes from 2013 PEFO to 2013-14 MYEFO				
Effect of policy decisions(b)(c)				
<i>Receipts</i>	1,674	-882	-2,976	-5,455
<i>Payments</i>	11,940	-227	-1,472	-4,180
Total policy decisions impact on underlying cash balance	-10,266	-655	-1,505	-1,274
Effect of parameter and other variations(c)				
<i>Receipts</i>	-6,196	-6,680	-11,359	-12,531
<i>Payments</i>	462	2,600	6,609	8,082
<i>less Net Future Fund earnings(d)</i>	-75	-9	-51	-20
Total parameter and other variations impact on underlying cash balance	-6,582	-9,272	-17,916	-20,592
2013-14 MYEFO underlying cash balance(a)	-46,989	-33,907	-24,083	-17,668
Per cent of GDP	-3.0	-2.1	-1.4	-1.0

(a) Excludes expected net Future Fund earnings.

(b) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

(c) A positive number for receipts indicates an increase in the underlying cash balance, while a positive number for payments indicates a decrease in the underlying cash balance.

(d) The movement in net Future Fund earnings is now shown separately.

Since the 2013 PEFO, total policy decisions have had a negative impact on the underlying cash position of \$10.3 billion in 2013-14 and by \$13.7 billion over the forward estimates.

Since the 2013 PEFO, total parameter and other variations have had a negative impact on the underlying cash position of \$6.6 billion in 2013-14 and by \$54.4 billion over the forward estimates.

The change in the projections assumption for the unemployment rate increases the number of unemployment benefit recipients in the projection period, and contributes \$3.7 billion to the deterioration in the budget bottom line since the 2013 PEFO over the forward estimates.

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In addition, changes to the terms of trade methodology reduce nominal GDP growth over the projection period, and contribute to the deterioration in the budget bottom line by reducing tax receipts by around \$2.0 billion over the forward estimates since the 2013 PEFO.

Further details of the impact of policy decisions and major variations arising from parameter and other variations on the fiscal outlook are provided in the receipt estimates and payment estimates sections below.

Receipt estimates

Total receipts are expected to be \$4.5 billion lower in 2013-14 than estimated at the 2013 PEFO, tax receipts are \$4.6 billion lower and non-tax receipts are \$109 million higher. Since the 2013 PEFO, total receipts have been revised down by \$7.6 billion over the forward estimates due to new policy decisions, and revised down by \$36.8 billion over the forward estimates due to parameter and other variations.

**Table 3.5: Australian Government general government sector cash receipts
— 2013-14**

	Estimates		Change on PEFO	
	PEFO \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	160,600	157,200	-3,400	-2.1
Gross other individuals	33,700	34,000	300	0.9
less: Refunds	27,500	27,200	-300	-1.1
Total individuals and other withholding tax	166,800	164,000	-2,800	-1.7
Fringe benefits tax	4,160	4,090	-70	-1.7
Company tax	69,200	69,000	-200	-0.3
Superannuation fund taxes	7,620	6,860	-760	-10.0
Minerals resource rent tax(a)	850	500	-350	-41.2
Petroleum resource rent tax	2,410	1,750	-660	-27.4
Income taxation receipts	251,040	246,200	-4,840	-1.9
Goods and services tax	50,633	50,248	-385	-0.8
Wine equalisation tax	760	740	-20	-2.6
Luxury car tax	380	400	20	5.3
Excise and customs duty				
Petrol	5,850	5,850	0	0.0
Diesel	8,980	8,990	10	0.1
Other fuel products	3,800	3,820	20	0.5
Tobacco	8,320	8,350	30	0.4
Beer	2,390	2,360	-30	-1.3
Spirits	2,030	1,990	-40	-2.0
Other alcoholic beverages(b)	1,010	970	-40	-4.0
Other customs duty				
Textiles, clothing and footwear	730	750	20	2.7
Passenger motor vehicles	930	930	0	0.0
Other imports	1,610	1,570	-40	-2.5
less: Refunds and drawbacks	260	260	0	0.0
Total excise and customs duty	35,390	35,320	-70	-0.2
Carbon pricing mechanism	6,475	7,180	705	10.9
Agricultural levies	461	459	-2	-0.4
Other taxes	2,971	2,933	-38	-1.3
Indirect taxation receipts	97,070	97,280	210	0.2
Taxation receipts	348,110	343,480	-4,630	-1.3
Sales of goods and services	8,686	8,626	-60	-0.7
Interest received	3,744	3,591	-153	-4.1
Dividends	2,748	2,883	135	4.9
Other non-taxation receipts	6,164	6,350	186	3.0
Non-taxation receipts	21,342	21,451	109	0.5
Total receipts	369,452	364,930	-4,521	-1.2
<i>Memorandum:</i>				
Total excise	26,520	26,400	-120	-0.5
Total customs duty	8,870	8,920	50	0.6
Capital gains tax(c)	7,900	7,900	0	0.0
Medicare and DisabilityCare Australia levy(d)	9,960	9,950	-10	-0.1

(a) Net receipts from the minerals resource rent tax are expected to be \$0.3 billion in 2013-14 which represents the net receipts impact across different revenue heads. These include the offsetting reductions in company tax (through deductibility) and interactions with other taxes. The Government has announced the minerals resource rent tax will not apply beyond 30 June 2014.

(b) Other alcoholic beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(c) Capital gains tax is part of gross other individuals, company tax and superannuation fund taxes.

(d) The Medicare and DisabilityCare Australia levy liabilities are reported in the year in which the income tax liability is assessed.

**Table 3.6: Australian Government general government sector cash receipts
— 2014-15**

	Estimates		Change on PEFO	
	PEFO \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	174,000	168,800	-5,200	-3.0
Gross other individuals	37,000	36,600	-400	-1.1
less: Refunds	28,300	28,000	-300	-1.1
Total individuals and other withholding tax	182,700	177,400	-5,300	-2.9
Fringe benefits tax	4,580	4,470	-110	-2.4
Company tax	70,100	70,500	400	0.6
Superannuation fund taxes	9,090	8,760	-330	-3.6
Minerals resource rent tax(a)	1,100	300	-800	-72.7
Petroleum resource rent tax	2,470	2,100	-370	-15.0
Income taxation receipts	270,040	263,530	-6,510	-2.4
Goods and services tax	53,559	52,948	-611	-1.1
Wine equalisation tax	810	780	-30	-3.7
Luxury car tax	350	380	30	8.6
Excise and customs duty				
Petrol	5,750	5,650	-100	-1.7
Diesel	9,180	9,180	0	0.0
Other fuel products	3,620	3,580	-40	-1.1
Tobacco	9,110	9,110	0	0.0
Beer	2,420	2,360	-60	-2.5
Spirits	2,160	2,090	-70	-3.2
Other alcoholic beverages(b)	1,060	990	-70	-6.6
Other customs duty				
Textiles, clothing and footwear	580	600	20	3.4
Passenger motor vehicles	990	920	-70	-7.1
Other imports	1,680	1,600	-80	-4.8
less: Refunds and drawbacks	260	260	0	0.0
Total excise and customs duty	36,290	35,820	-470	-1.3
Carbon pricing mechanism	2,870	1,695	-1,175	-40.9
Agricultural levies	451	470	18	4.1
Other taxes	3,135	2,980	-155	-4.9
Indirect taxation receipts	97,466	95,073	-2,393	-2.5
Taxation receipts	367,506	358,603	-8,903	-2.4
Sales of goods and services	8,519	8,442	-77	-0.9
Interest received	3,646	3,544	-102	-2.8
Dividends	2,463	3,891	1,428	57.9
Other non-taxation receipts	8,170	8,263	93	1.1
Non-taxation receipts	22,799	24,140	1,341	5.9
Total receipts	390,305	382,743	-7,562	-1.9
<i>Memorandum:</i>				
Total excise	27,040	26,640	-400	-1.5
Total customs duty	9,250	9,180	-70	-0.8
Capital gains tax(c)	10,700	10,700	0	0.0
Medicare and DisabilityCare Australia levy(d)	10,470	10,380	-90	-0.9

(a) Net receipts from the minerals resource rent tax are expected to be \$0.2 billion in 2014-15 which represents the net receipts impact across different revenue heads. These include the offsetting reductions in company tax (through deductibility) and interactions with other taxes. The Government has announced the minerals resource rent tax will not apply beyond 30 June 2014.

(b) Other alcoholic beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(c) Capital gains tax is part of gross other individuals, company tax and superannuation fund taxes.

(d) The Medicare and DisabilityCare Australia levy liabilities are reported in the year in which the income tax liability is assessed.

Policy decisions

Policy decisions since the 2013 PEFO have increased total receipts by \$1.7 billion in 2013-14 and reduced total receipts by \$7.6 billion over the forward estimates period.

The carbon tax and related measures will be repealed from 1 July 2014. This will reduce receipts by \$6.3 billion over the forward estimates period. This includes abolishing the carbon tax as well as the equivalent carbon price applied to synthetic greenhouse gases, aviation fuels and liquid and gaseous fuels.

The minerals resource rent tax and most related measures will also be repealed by 1 July 2014. The repeal of the minerals resource rent tax reduces receipts by \$3.4 billion over the forward estimates period relative to the 2013 PEFO. This is a net estimate, after allowing for the interaction between the minerals resource rent tax and other taxes, such as company tax. However, the removal and rephasing of related tax concessions that the minerals resource rent tax was intended to fund will increase receipts by \$5.7 billion over the forward estimates resulting in a net increase to receipts over the forward estimates of \$2.3 billion.

The Government is dealing with 92 announced but unlegislated tax and superannuation measures. The Government will proceed with 34 measures, not proceed with 55 measures and three measures will proceed with amendment. Measures that will not proceed include changes to the treatment of car fringe benefits, the removal of the provision allowing the imposition of a tax on certain superannuation earnings supporting retirement income streams and the introduction of a cap on work-related self-education expenses. Decisions not to proceed with many measures reflect the Government's assessment that these measures are either unworkable or would be economically damaging. Collectively, these decisions will reduce receipts by \$3.6 billion relative to the 2013 PEFO.

Parameter and other variations

Parameter and other variations have decreased total receipts since the 2013 PEFO by \$6.2 billion in 2013-14 and \$36.8 billion over the forward estimates period.

Included in parameter and other variations are provisions for those election commitments that have not been finalised. These provisions relate to the introduction of a 1.5 per cent company levy to fund the new Paid Parental Leave Scheme, the increased income and superannuation taxes flowing from the introduction of the scheme and a reduction in the company tax rate to 28.5 per cent.

In addition, a provision has also been made for the impact on tax receipts of a free trade agreement with Korea and for unfunded superannuation liabilities relating to New South Wales universities.

The key economic parameters that influence tax receipts and tax revenue are shown in Table 3.7. The table shows effects on the Australian Government's main tax bases of the changed circumstances and outlook since the 2013 PEFO.

Table 3.7: Key economic parameters^(a)

	Outcome	Estimates		Projections	
	2012-13 %	2013-14 %	2014-15 %	2015-16 %	2016-17 %
Revenue parameters at 2013-14 MYEFO					
Nominal gross domestic product (non-farm)	2.5	3 1/2	3 1/2	4 3/4	4 3/4
<i>Change since 2013 PEFO</i>	0.0	- 1/4	-1	- 1/2	- 1/2
Compensation of employees (non-farm)(b)	3.6	3	4	5 3/4	5 1/2
<i>Change since 2013 PEFO</i>	-0.2	-1 1/2	- 3/4	1/4	0
Corporate gross operating surplus(c)	-2.9	4	2 3/4	2 1/4	2 1/2
<i>Change since 2013 PEFO</i>	1.1	1 1/4	-1 1/2	-2 3/4	-2 3/4
Unincorporated business income	1.4	1 1/4	3/4	4 3/4	4 3/4
<i>Change since 2013 PEFO</i>	-0.3	2	-1 1/2	- 1/2	- 1/2
Property income(d)	3.5	10 3/4	6 1/2	5	5
<i>Change since 2013 PEFO</i>	-1.4	8 3/4	1/4	- 1/2	- 1/2
Consumption subject to GST	3.4	3 1/4	4 1/4	5 1/2	5 1/2
<i>Change since 2013 PEFO</i>	-0.2	- 3/4	- 1/2	0	0

(a) Current prices, per cent change on previous year. Changes since the 2013 PEFO are percentage points and may not reconcile due to rounding.

(b) Compensation of employees measures total remuneration earned by employees.

(c) Corporate gross operating surplus is an Australian National Accounts measure of company profits, gross of depreciation.

(d) Property income measures income derived from rent, dividends and interest.

Parameter and other variations have decreased tax receipts since the 2013 PEFO by \$6.3 billion in 2013-14 and \$37.8 billion over the forward estimates period.

Tax receipts have been affected by the weaker economic outlook. In particular, the downward revisions to forecasts of wages growth and corporate profitability – and hence nominal GDP – have resulted in significant downward revisions to tax receipts collected from wages and profits.

Consequently, taxes from individuals have been revised down \$2.7 billion in 2013-14 and \$20.4 billion across the four years to 2016-17. Company tax has been revised down by \$180 million in 2013-14 and \$7.1 billion across the four years to 2016-17.

Parameter and other variations have increased non-tax receipts since 2013 PEFO by \$38 million in 2013-14, primarily reflecting minor movements in forecast dividend and interest receipts.

Analysis of the sensitivity of the receipts estimates to changes in the economic outlook is provided in Attachment A to this part.

Payment estimates

Since the 2013 PEFO, estimated cash payments for 2013-14 have increased by \$12.4 billion, reflecting increased payments due to new policy decisions of \$11.9 billion, and increased payments due to parameter and other variations of \$462 million.

Policy decisions

Major policy decisions since the 2013 PEFO that have increased cash payments in 2013-14 and over the four years to 2016-17 include:

- a grant payment of \$8.8 billion to the Reserve Bank of Australia (RBA) to increase the RBA's capital reserve and strengthen the RBA's financial position;
- a range of measures associated with the repeal of the carbon tax, including an expected increase in payments for the buy-back of free permits in 2013-14 as well as abolishing the equivalent carbon tax applied to liquid and gaseous fuels through reductions in entitlements to fuel tax credits. These measures are expected to increase cash payments by \$2.1 billion in 2013-14 (\$2.8 billion over four years);
- a number of land transport infrastructure projects, including the Bruce, Princes and Pacific Highway projects and the NSW F3 to M2 extension as part of the Auslink Programme for national land transport. These measures are expected to increase cash payments by \$1.1 billion in 2013-14 (\$5.6 billion over four years);
- the implementation of the Government's border protection policies, which is expected to increase cash payments by \$904 million in 2013-14 (\$2.1 billion over four years). When combined with the related \$858 million reduction in the costs of the onshore detention network, this results in a \$1.2 billion cost directly attributable to insufficient funding provided previously for offshore processing facilities in Papua New Guinea and Nauru; and
- additional funding for the Students First package of measures, including implementing a fairer funding agreement for schools with the Queensland, Western Australian and Northern Territory governments (\$1.2 billion over four years) and committing a further \$94 million to other Students First initiatives, including \$70 million for the establishment of the Independent Public Schools Fund.

The impact of these policy decisions has been partially offset in 2013-14, and largely offset over the four years to 2016-17, by a number of decisions that have reduced cash payments, including:

- a range of measures associated with the repeal of the minerals resource rent tax, including abolishing the Schoolkids Bonus from 1 January 2014, discontinuing the Regional Infrastructure Fund and the Regional Development Australia Fund, and

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abolishing the Mining Tax Supplementary Allowance. These measures are expected to reduce cash payments by \$1.0 billion in 2013-14 (\$8.4 billion over four years);

- redirecting funding over six years under the Building Stronger Communities Fund (\$528 million) and Trade Training Centres (\$987 million) and other smaller portfolio savings, to broadly offset the cost of Students First – A fairer funding agreement for schools. The savings decisions for the Building Stronger Communities Fund and Trade Training Centres are expected to decrease cash payments by \$104 million in 2013-14 (\$841 million over four years); and
- the amalgamation and rephasing of expenditure under the Restoring the Balance in the Murray-Darling Basin programme and the Sustainable Rural Water Use and Infrastructure Program over a six year period. These measures are expected to reduce cash payments by \$54.2 million in 2013-14 (\$650 million over four years).

Box 3.1: Grant to strengthen the RBA's financial position

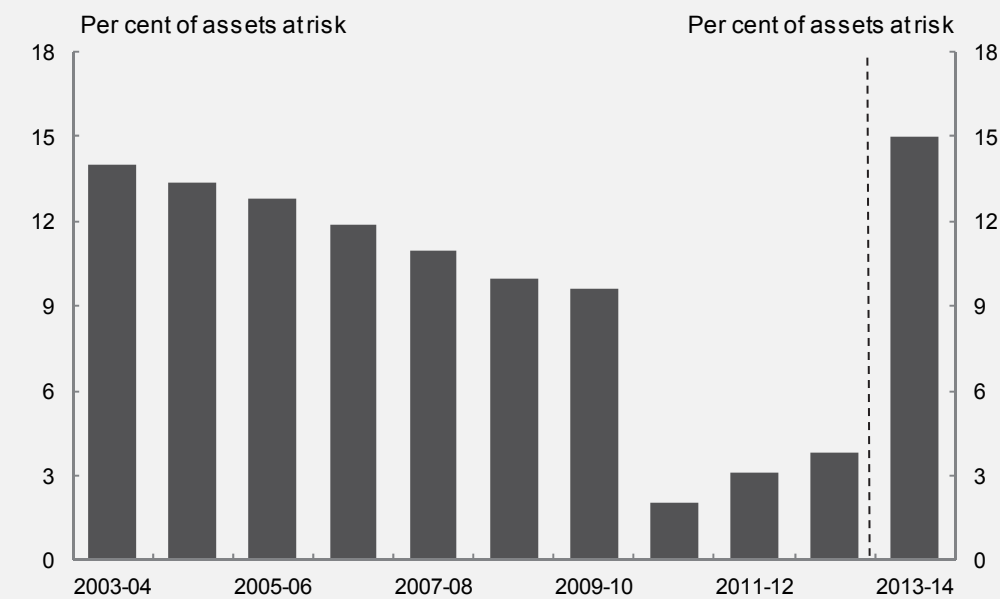
On 23 October 2013, the Government announced a grant of \$8.8 billion to the Reserve Bank of Australia (RBA) to strengthen its financial position.

The strong and sustained appreciation of the Australian dollar from 2009 caused the RBA to record large financial losses in 2009-10 and 2010-11 as the value of its foreign currency assets declined in Australian dollar terms. This coincided with global interest rates declining to historical lows, reducing the RBA's underlying earnings.

The resultant losses were absorbed by the Reserve Bank Reserve Fund (RBRF), reducing the balance to significantly below the level now considered prudent by the Reserve Bank Board based on its most recent assessment of the risks to the RBA's balance sheet (Chart A).

The low level of the RBRF has not posed an immediate risk to the solvency of the RBA and has not impaired its operations. Nevertheless, on current projections, it would take many years to build the RBRF to the level deemed prudent by the Board – 15 per cent of assets at risk – through the usual channel of retaining profits, leaving the RBA financially exposed in an uncertain global environment.

The Government has therefore decided, following consultation with the Reserve Bank Governor, to provide a one-off \$8.8 billion grant to the RBA to strengthen its financial position. The grant safeguards the credibility and independence of the RBA, putting beyond doubt its ability to perform its key functions at the heart of Australia's financial system and to meet any challenges that may lie ahead in a volatile global economy.

Chart A: Reserve Bank Reserve Fund

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Parameter and other variations

Major increases in cash payments in 2013-14 and over the four years to 2016-17 as a result of parameter and other variations since the 2013 PEFO include:

- payments related to Family Tax Benefit, which are expected to increase by \$368 million in 2013-14 (\$1.0 billion over four years), largely reflecting a higher than expected increase in recipient numbers and higher average rates of payment;
- Child Care Benefit and Child Care Rebate payments, which are expected to increase by \$303 million in 2013-14 (\$2.6 billion over four years), largely reflecting higher than expected utilisation of child care;
- Private Health Insurance rebate payments, which are expected to increase by \$237 million in 2013-14 (\$873 million over four years), largely reflecting stronger than expected growth in the number of people with subsidised private health cover;
- payments under the Natural Disaster Relief and Recovery Arrangements, which are expected to be \$198 million higher in 2013-14, primarily relating to the earlier than expected completion of some projects. This has contributed to lower payments over the three years to 2016-17 by \$214 million, which also reflects a reduction in the estimated total cost of reconstruction following natural disasters in Queensland;
- refunds of unclaimed moneys from banking institutions, which are expected to be \$176 million higher in 2013-14, reflecting higher than expected claims being made in 2013-14;
- Medicare Benefits Schedule payments, which are expected to be \$164 million higher in 2013-14 (\$659 million over four years), primarily reflecting a higher than expected demand for specialist, primary care, pathology and diagnostic imaging services;
- Disability Support Pension payments, which are expected to be \$145 million higher in 2013-14 (\$587 million over four years), reflecting higher customer numbers and average payment rates than expected;
- Research and Development Tax Incentive payments, which are expected to be \$128 million higher in 2013-14 (\$519 million over four years), reflecting stronger than expected growth in claims in the second year of operation of the 45 per cent refundable tax offset for companies with a turnover of less than \$20 million. It is expected that the higher level of claims will continue across the forward estimates;
- Age Pension payments, which are expected to increase by \$75 million in 2013-14 (\$721 million over four years), primarily reflecting the recently announced changes to the deeming rates on pensions; and

- Residential Care Subsidies, which are expected to increase by \$479 million over four years (although there is a reduction in payments of \$26 million in 2013-14), reflecting increases in the average level of frailty of residents and a higher than expected number of aged care places.

Major reductions in expected cash payments in 2013-14 and over the four years to 2016-17 as a result of parameter and other variations since the 2013 PEFO, include:

- payments under the Pharmaceutical Benefits Scheme, which are expected to be \$526 million lower in 2013-14 (\$2.7 billion over four years), largely reflecting higher than estimated savings resulting from existing pricing policy, lower than anticipated ongoing growth in demand for certain macular degeneration medicines and adjustments to reflect the 2013-14 actual outcomes;
- payments for the immigration detention network, which are expected to be \$358 million lower in 2013-14 (\$2.1 billion over four years). This largely reflects a reduction in the forecast number of illegal maritime arrivals; and
- Australian Government general recurrent grants funding for schools, which is expected to be \$125 million lower in 2013-14, reflecting lower than previously forecast cost increases in actual recurrent expenditure by government schools.

Consistent with previous budgets, the underlying cash balance has been improved by the regular draw down of the conservative bias allowance. Details of this draw down are provided at Attachment D.

Analysis of the sensitivity of the payments estimates to changes in the economic outlook is provided in Attachment A to this part.

A provision for election commitments where implementation details are still being finalised and which will be progressed in the 2014-15 Budget has also been included as an estimates variation in the Contingency Reserve. This provision results in a net increase in payments over the forward estimates.

Fiscal balance estimates

Compared with the 2013 PEFO, the fiscal balance is expected to be \$16.3 billion lower for 2013-14, and \$68.6 billion lower over the forward estimates period.

Table 3.8 provides a reconciliation of fiscal balance estimates, including the impact of policy decisions and parameter and other variations on revenue, expense and net capital investment.

Table 3.8: Reconciliation of Australian Government general government sector fiscal balance estimates

	Estimates		Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
2013-14 Budget fiscal balance	-13,497	-6,255	5,955	10,819
Per cent of GDP	-0.8	-0.4	0.3	0.6
Changes from 2013-14 Budget to 2013 PEFO				
Effect of policy decisions(a)	-749	-3,835	4,712	6,515
Effect of parameter and other variations	-11,262	-11,988	-8,820	-9,543
Total variations	-12,011	-15,823	-4,109	-3,028
2013 PEFO fiscal balance	-25,508	-22,078	1,847	7,792
Per cent of GDP	-1.6	-1.3	0.1	0.4
Changes from 2013 PEFO to 2013-14 MYEFO				
Effect of policy decisions(a)(b)				
Revenue	-70	-1,918	-4,554	-7,814
Expenses	7,710	-1,996	-3,014	-6,467
Net capital investment	283	285	-90	-161
Total policy decisions impact on fiscal balance	-8,063	-207	-1,450	-1,185
Effect of parameter and other variations(b)				
Revenue	-5,955	-7,940	-11,289	-11,804
Expenses	2,864	3,769	8,121	9,042
Net capital investment	-547	-2,490	-237	217
Total parameter and other variations impact on fiscal balance	-8,272	-9,218	-19,173	-21,062
2013-14 MYEFO fiscal balance	-41,843	-31,504	-18,776	-14,456
Per cent of GDP	-2.7	-1.9	-1.1	-0.8

(a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

(b) A positive number for revenue indicates an increase in the fiscal balance, while a positive number for expenses and net capital investment indicates a decrease in the fiscal balance.

Revenue estimates

Total revenue has been revised down by \$6.0 billion in 2013-14 since the 2013 PEFO.

While changes in tax revenue are generally driven by the same factors as tax receipts, there are differences as not all revenue raised in a given year is actually paid in that year. These differences exist for most revenue heads, and vary across years.

Movements in non-taxation revenue that are not matched by an equal movement in non-taxation receipts include dividends from the Reserve Bank of Australia, which have a significantly different impact on accrual revenue compared to cash receipts. The dividend revenue is recognised when the entitlement to the dividend is established, not when the dividend receipt is received.

Detailed Australian Government general government sector revenue estimates for 2013-14 and 2014-15, compared with estimates from the 2013 PEFO, are provided in Tables 3.9 and 3.10 respectively.

Table 3.9: Australian Government general government sector accrual revenue — 2013-14^(a)

	Estimates		Change on PEFO	
	PEFO \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	161,980	158,510	-3,470	-2.1
Gross other individuals	36,950	36,650	-300	-0.8
less: Refunds	27,500	27,200	-300	-1.1
Total individuals and other withholding tax	171,430	167,960	-3,470	-2.0
Fringe benefits tax	4,210	4,140	-70	-1.7
Company tax	71,319	70,400	-919	-1.3
Superannuation fund taxes	7,750	6,990	-760	-9.8
Minerals resource rent tax(b)	850	500	-350	-41.2
Petroleum resource rent tax	2,790	1,900	-890	-31.9
Income taxation revenue	258,349	251,890	-6,459	-2.5
Goods and services tax	52,930	52,680	-250	-0.5
Wine equalisation tax	770	750	-20	-2.6
Luxury car tax	380	400	20	5.3
Excise and customs duty				
Petrol	5,740	5,740	0	0.0
Diesel	8,810	8,820	10	0.1
Other fuel products	3,730	3,730	0	0.0
Tobacco	8,230	8,260	30	0.4
Beer	2,330	2,320	-10	-0.4
Spirits	2,030	1,990	-40	-2.0
Other alcoholic beverages(c)	1,010	970	-40	-4.0
Other customs duty				
Textiles, clothing and footwear	730	750	20	2.7
Passenger motor vehicles	930	930	0	0.0
Other imports	1,620	1,580	-40	-2.5
less: Refunds and drawbacks	260	260	0	0.0
Total excise and customs duty	34,900	34,830	-70	-0.2
Carbon pricing mechanism	7,980	7,340	-640	-8.0
Agricultural levies	461	459	-2	-0.4
Other taxes	3,159	3,086	-73	-2.3
Indirect taxation revenue	100,580	99,545	-1,035	-1.0
Taxation revenue	358,928	351,434	-7,494	-2.1
Sales of goods and services	8,638	8,680	42	0.5
Interest	3,965	3,730	-234	-5.9
Dividends	2,293	3,792	1,499	65.3
Other non-taxation revenue	6,123	6,286	164	2.7
Non-taxation revenue	21,018	22,488	1,470	7.0
Total revenue	379,947	373,922	-6,024	-1.6
<i>Memorandum:</i>				
Total excise	26,020	25,900	-120	-0.5
Total customs duty	8,880	8,930	50	0.6
Capital gains tax(d)	7,900	7,900	0	0.0
Medicare and DisabilityCare Australia levy(e)	9,960	9,950	-10	-0.1

(a) The numbers for PEFO were not published in the 2013 PEFO.

(b) Net revenue from the minerals resource rent tax is expected to be \$0.3 billion in 2013-14 which represents the net revenue impact across different revenue heads. These include the offsetting reductions in company tax (through deductibility) and interactions with other taxes. The Government has announced the minerals resource rent tax will not apply beyond 30 June 2014.

(c) Other alcoholic beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(d) Capital gains tax is part of gross other individuals, company tax and superannuation fund taxes.

(e) The Medicare and DisabilityCare Australia levy liabilities are reported in the year in which the income tax liability is assessed.

Table 3.10: Australian Government general government sector accrual revenue — 2014-15^(a)

	Estimates		Change on PEFO	
	PEFO \$m	MYEFO \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	175,480	170,210	-5,270	-3.0
Gross other individuals	40,450	39,500	-950	-2.3
less: Refunds	28,300	28,000	-300	-1.1
Total individuals and other withholding tax	187,630	181,710	-5,920	-3.2
Fringe benefits tax	4,660	4,550	-110	-2.4
Company tax	72,080	72,330	250	0.3
Superannuation fund taxes	9,260	8,930	-330	-3.6
Minerals resource rent tax(b)	1,100	300	-800	-72.7
Petroleum resource rent tax	2,470	2,100	-370	-15.0
Income taxation revenue	277,200	269,920	-7,280	-2.6
Goods and services tax	56,055	55,710	-345	-0.6
Wine equalisation tax	820	790	-30	-3.7
Luxury car tax	350	380	30	8.6
Excise and customs duty				
Petrol	5,770	5,670	-100	-1.7
Diesel	9,205	9,205	0	0.0
Other fuel products	3,630	3,590	-40	-1.1
Tobacco	9,120	9,130	10	0.1
Beer	2,430	2,370	-60	-2.5
Spirits	2,160	2,090	-70	-3.2
Other alcoholic beverages(c)	1,060	990	-70	-6.6
Other customs duty				
Textiles, clothing and footwear	580	600	20	3.4
Passenger motor vehicles	990	920	-70	-7.1
Other imports	1,680	1,600	-80	-4.8
less: Refunds and drawbacks	260	260	0	0.0
Total excise and customs duty	36,365	35,905	-460	-1.3
Carbon pricing mechanism	2,020	0	-2,020	-100
Agricultural levies	451	470	18	4.1
Other taxes	3,227	3,182	-45	-1.4
Indirect taxation revenue	99,288	96,437	-2,851	-2.9
Taxation revenue	376,488	366,356	-10,131	-2.7
Sales of goods and services	8,569	8,496	-73	-0.9
Interest	3,994	4,060	66	1.6
Dividends	2,428	2,448	19	0.8
Other non-taxation revenue	6,260	6,522	262	4.2
Non-taxation revenue	21,251	21,525	274	1.3
Total revenue	397,739	387,882	-9,858	-2.5
<i>Memorandum:</i>				
Total excise	27,115	26,725	-390	-1.4
Total customs duty	9,250	9,180	-70	-0.8
Capital gains tax(d)	10,700	10,700	0	0.0
Medicare and DisabilityCare Australia levy(e)	10,470	10,380	-90	-0.9

(a) The numbers for PEFO were not published in the 2013 PEFO.

(b) Net revenue from the minerals resource rent tax is expected to be \$0.2 billion in 2014-15 which represents the net revenue impact across different revenue heads. These include the offsetting reductions in company tax (through deductibility) and interactions with other taxes. The Government has announced the minerals resource rent tax will not apply beyond 30 June 2014.

(c) Other alcoholic beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(d) Capital gains tax is part of gross other individuals, company tax and superannuation fund taxes.

(e) The Medicare and DisabilityCare Australia levy liabilities are reported in the year in which the income tax liability is assessed.

Expense and net capital investment estimates

Movements in accrual expenses and net capital investment over the forward estimates are broadly similar to the movements in cash payments. The key exceptions include:

- an increase in the accrued superannuation expenses for civilian superannuation schemes of \$930 million reflecting differences between the timing of cash payments and accrued expenses; and
- the provision of GST to the States and Territories, reflecting higher than estimated GST entitlements of \$361 million relating to the 2012-13 financial year. This amount was accrued in 2012-13 and was paid in 2013-14.

Estimates of Australian Government general government sector expenses by function can be found in Attachment D.

Table 3.11 provides a reconciliation of expense estimates.

Table 3.11: Reconciliation of Australian Government general government sector expense estimates

	Estimates		Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
2013-14 Budget expenses	398,301	415,663	431,015	454,747
Changes from 2013-14 Budget to 2013 PEFO				
Effect of policy decisions(a)	1,134	-1,628	-1,565	-2,303
Effect of parameter and other variations	2,050	1,950	1,461	2,092
Total variations	3,184	322	-103	-211
2013 PEFO expenses	401,485	415,985	430,911	454,536
Changes from 2013 PEFO to 2013-14 MYEFO				
Effect of policy decisions(a)	7,710	-1,996	-3,014	-6,467
Effect of economic parameter variations				
Total economic parameter variations	256	207	1,948	2,371
<i>Unemployment benefits</i>	49	-278	1,660	2,092
<i>Prices and wages</i>	682	1,170	1,051	1,029
<i>Interest and exchange rates</i>	-16	-26	-13	1
<i>GST payments to the States</i>	-459	-660	-750	-750
Public debt interest	732	1,357	2,262	3,191
Program specific parameter variations	1,529	1,887	1,272	1,883
Slippage in decisions	0	0	0	0
Other variations	348	319	2,640	1,596
Total variations	10,574	1,773	5,108	2,574
2013-14 MYEFO expenses	412,060	417,758	436,019	457,110

(a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

Table 3.12 provides a reconciliation of the net capital investment estimates.

Table 3.12: Reconciliation of Australian Government general government sector net capital investment estimates

	Estimates		Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
2013-14 Budget net capital investment	2,945	2,204	1,126	3,003
Changes from 2013-14 Budget to 2013 PEFO				
Effect of policy decisions(a)	314	-3	-2	-2
Effect of parameter and other variations	711	1,631	-617	-678
Total variations	1,024	1,629	-619	-681
2013 PEFO net capital investment	3,970	3,833	507	2,322
Changes from 2013 PEFO to 2013-14 MYEFO				
Effect of policy decisions(a)	283	285	-90	-161
Effect of parameter and other variations	-547	-2,490	-237	217
Total variations	-263	-2,205	-327	56
2013-14 MYEFO net capital investment	3,706	1,628	180	2,378

(a) Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

Headline cash balance

The headline cash balance consists of the underlying cash balance, net cash flows from investments in financial assets for policy purposes (for example, the equity funding of NBN Co), and net Future Fund earnings. Table 3.13 provides a reconciliation between the underlying and headline cash balance estimates.

Table 3.13: Reconciliation of Australian Government general government underlying and headline cash balance estimates

	Estimates		Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
2013-14 MYEFO underlying cash balance(a)	-46,989	-33,907	-24,083	-17,668
plus Net cash flows from investments in financial assets for policy purposes				
Student loans	-5,014	-6,114	-6,624	-7,100
NBN investment	-3,500	-6,317	-5,286	-4,692
Residential mortgage backed securities	2,110	1,619	1,522	1,118
CEFC loans and investments	-492	12	29	33
International loans and subscriptions under AIPRD, IDA and ADF	-269	-346	-352	-821
Farm Finance concessional loans	-210	-210	0	0
Net other	-147	-128	-30	-19
Total net cash flows from investments in financial assets for policy purposes	-7,522	-11,484	-10,741	-11,481
plus Net Future Fund earnings	2,871	2,953	3,138	3,373
2013-14 MYEFO headline cash balance	-51,640	-42,437	-31,686	-25,776

(a) Excludes expected net Future Fund earnings.

The headline cash balance for 2013-14 is estimated to be a deficit of \$51.6 billion (3.3 per cent of GDP), compared with a deficit of \$37.2 billion at PEFO.

The deterioration in the headline cash balance has been primarily driven by policy decisions and variations that have affected the underlying cash balance. This deterioration has been partially offset by a reduction in net cash flows from investments in financial assets for policy purposes of \$2.4 billion largely reflecting the Government's decision to close the Clean Energy Finance Corporation and the reduced equity funding for NBN Co. These changes improve the headline cash balance by \$2.2 billion in 2013-14, and by \$7.4 billion over the forward estimates.

Commonwealth Government Securities

Table 3.14 contains projections of the face value of CGS on issue. It is important to note that there is a debt issuance strategy for the budget year only. Projections beyond the budget year are based on a set of technical assumptions and will vary significantly with changes to budget estimates and projections.

Table 3.14: Projected face value of Commonwealth Government Securities on issue subject to the Treasurer's Direction^{(a)(b)}

	2013-14	2014-15	2015-16	2016-17
	\$b	\$b	\$b	\$b
End-of-year amount	310	360	400	430
Within-year peak(c)	320	370	420	460
Month of peak (c)	Jun-14	Apr-15	Jun-16	Feb-17

(a) Face value data in this table are rounded to the nearest \$10 billion.

(b) These figures exclude CGS on issue that are not subject to the Treasurer's Direction, as specified in subsection 51JA(2A) of the *Commonwealth Inscribed Stock Act 1911*.

(c) The precise within-year timing of cash outlays and receipts are not known. Projected peaks of CGS on issue are therefore subject to considerable uncertainty.

Source: Australian Office of Financial Management.

Further information on Commonwealth Government Securities is provided in the Debt Statement at Attachment F.

Net debt, net financial worth and net worth

In 2013-14, net debt for the Australian Government general government sector is estimated to be \$191.5 billion (12.1 per cent of GDP), compared with the 2013 PEFO estimate of \$184.0 billion (11.7 per cent of GDP). By the end of the forward estimates period, net debt as a percentage of GDP is expected to reach 15.7 per cent in 2016-17.

The increase in the expected level of net debt since the 2013 PEFO primarily reflects a higher issuance of CGS owing to an increase in the financing requirement, which is partly negated by higher yields (interest rates) than were assumed at the 2013 PEFO.

The overall improvement in net financial worth and net worth in 2013-14 was mainly driven by the net gain from foreign currency operations of the Reserve Bank of Australia that is incorporated in the Commonwealth balance sheet through investments in other public sector entities.

Part 3: Fiscal outlook

- Net financial worth for the Australian Government general government sector is estimated to be -\$289.7 billion (18.4 per cent of GDP) in 2013-14, compared to the 2013 PEFO estimate of -\$295.5 billion (18.9 per cent of GDP).
- Net worth for the Australian Government general government sector is expected to be -\$176.6 billion in 2013-14, compared to the 2013 PEFO estimate of -\$181.9 billion.

Net interest payments are estimated to be \$8.8 billion in 2013-14 (0.6 per cent of GDP), which is broadly in line with the 2013 PEFO estimate of \$8.4 billion (0.5 per cent of GDP).

Table 3.15 provides a summary of Australian Government general government sector net financial worth, net worth, net debt and net interest payments.

Table 3.15: Australian Government general government sector net worth, net financial worth, net debt and net interest payments

	Estimates			
	2013-14		2014-15	
	PEFO \$b	MYEFO \$b	PEFO \$b	MYEFO \$b
Financial assets	260.8	273.3	279.2	289.5
Non-financial assets	113.6	113.0	116.8	116.2
Total assets	374.4	386.3	396.0	405.7
Total liabilities	556.3	563.0	596.9	612.7
Net worth	-181.9	-176.6	-200.9	-207.0
Net financial worth(a)	-295.5	-289.7	-317.7	-323.2
Per cent of GDP	-18.9	-18.4	-19.4	-19.8
Net debt(b)	184.0	191.5	212.1	231.1
Per cent of GDP	11.7	12.1	13.0	14.2
Net interest payments	8.4	8.8	9.5	10.6
Per cent of GDP	0.5	0.6	0.6	0.7
	Projections			
	2015-16		2016-17	
	PEFO \$b	MYEFO \$b	PEFO \$b	MYEFO \$b
Financial assets	305.1	310.2	341.1	339.8
Non-financial assets	119.0	118.3	120.5	120.2
Total assets	424.1	428.5	461.6	460.0
Total liabilities	622.2	654.5	652.5	701.2
Net worth	-198.1	-226.0	-190.9	-241.2
Net financial worth(a)	-317.1	-344.4	-311.4	-361.4
Per cent of GDP	-18.4	-20.2	-17.1	-20.2
Net debt(b)	219.0	259.1	217.3	280.5
Per cent of GDP	12.7	15.2	12.0	15.7
Net interest payments	11.5	13.5	10.0	12.8
Per cent of GDP	0.7	0.8	0.6	0.7

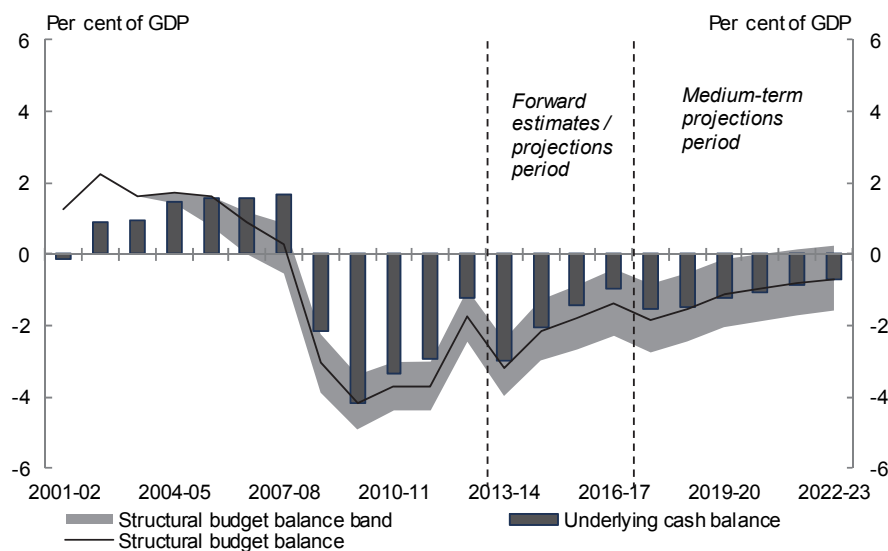
(a) Net financial worth equals total financial assets minus total liabilities.

(b) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

STRUCTURAL BUDGET BALANCE

The range of estimates shown in Chart 3.6 suggests that the structural budget balance fell into deficit after 2007-08. A structural deficit of between 3 and 4 per cent of GDP is estimated in 2013-14. Estimates of the structural budget balance have deteriorated since the 2013 PEFO, broadly in line with the downgrade to the underlying cash balance. While the structural position of the budget is expected to improve gradually, on current projections the budget is not expected to return to structural balance in the medium-term, further highlighting that significant adjustment is required to restore fiscal sustainability.

Chart 3.6: Structural budget balance estimates¹



Source: ABS cat. no. 5206.0, 5302.0, 6202.0, 6401.0 and Treasury.

Note: The grey range represents the range of structural budget estimates using the OECD's assumption for Australia's structural level of the terms of trade (average between 1986-87 and 2010-11), and using the average from 2003-04 to 2015-16 consistent with the 2013-14 Budget. The OECD assumption generates the lower bound of the shaded region, while the 2003-04 to 2015-16 average assumption generates the upper bound.

Structural budget balance measures are sensitive to the assumptions and parameters underpinning the estimates, including identifying the structural level of the terms of

¹ The structural budget balance estimates shown in Chart 3.6 incorporate a minor methodological change from the model used to produce chart G1 in the 2013 PEFO (detailed in Treasury working paper 2013-01). The 'structural level' of the Gross National Expenditure deflator is now set equal to its projected level, consistent with the Reserve Bank of Australia targeting future growth in consumer prices rather than the level, such that there is no underlying path for domestic prices that the economy will revert to over time. The change in methodology results in an improvement in the structural budget balance of around 0.1 to 0.2 per cent of GDP in 2013-14 and 2014-15 relative to the previous methodology.

Part 3: Fiscal outlook

trade and the relationship between tax receipts and economic activity. Due to the sensitivity of estimates to assumptions, it is best to consider a range of structural budget balance estimates based on plausible assumptions for the underlying parameters as one element of a broader assessment of fiscal sustainability.

Attachment A

SENSITIVITY OF BUDGET ESTIMATES TO ECONOMIC DEVELOPMENTS

The estimates contained in the 2013-14 MYEFO are based on forecasts of the economic outlook. Changes to the economic assumptions underlying the estimates will impact on receipts and payments, and hence the size of the underlying cash balance. Even small movements in economic parameters can result in large changes to the reported budget aggregates.

This section examines the effects on receipts and payments of altering some of the key economic assumptions. Tables 3.17 and 3.19 illustrate the sensitivity of key components of receipts and payments to possible variations in the economic outlook. The two scenarios considered are:

- Scenario 1: a 1 per cent reduction in nominal GDP owing to a fall in the terms of trade.
- Scenario 2: a 1 per cent increase in real GDP driven by an increase in labour productivity and labour force participation, with each contributing equally.

The economic scenarios provide a rule of thumb indication of the impact on receipts, payments and the underlying cash balance of changes in the economic outlook. The rule of thumb represents a partial economic analysis only and does not attempt to capture all the economic feedback and other policy responses related to changed economic conditions. In particular, the analysis assumes no change in the exchange rate, interest rates or policy over the forecast period. The impact of the two scenarios on the economic parameters would be different if the full feedback response on economic variables and likely policy actions were taken into account. The analysis does not aim to provide an alternative picture of the economic forecasts under these scenarios, but instead gives an indication of the sensitivity associated with different components of receipts and payments to changes in the economy. As such, the changes in the economic variables and their impact on the fiscal outlook are merely illustrative.

The impacts shown in the tables below are broadly symmetrical. That is, impacts of around the same magnitude, but in the opposite direction, would apply if the terms of trade were to increase or if real GDP were to decrease.

Scenario 1

The first scenario involves a permanent fall in world prices of non-rural commodity exports in 2013-14 consistent with a fall in the terms of trade of around 4 per cent, which causes a 1 per cent fall in nominal GDP by 2014-15. The sensitivity analysis evaluates the flow-on effects on the economy, the labour market and prices. The impacts in Table 3.16 are highly stylised and refer to per cent deviations from the baseline levels of the economic parameters.

Table 3.16: Illustrative impact of a permanent non-rural commodity price fall consistent with a 1 per cent fall in nominal GDP by 2014-15 (per cent deviation from the baseline level)

	2013-14 per cent	2014-15 per cent
Real GDP	0	- 1/4
Non-farm GDP deflator	- 3/4	- 3/4
Employment	- 1/4	- 1/2
Wages	0	- 1/4
CPI	0	- 1/4
Company profits	-3	-3
Consumption	- 1/4	- 1/2

Assuming no change in exchange rates or interest rates, the fall in export prices leads directly to a lower non-farm GDP deflator (from the export component of GDP) and lower domestic incomes. Lower domestic incomes cause both consumption and investment to fall, resulting in lower real GDP, employment and wages. The fall in aggregate demand puts downward pressure on domestic prices.

In reality, a fall in the terms of trade would be expected to put downward pressure on the exchange rate, although the magnitude is particularly uncertain in the short term. In the event of a depreciation in the exchange rate, the impacts on the external sector would dampen the real GDP effects, and there would be some offsetting upward pressure on domestic prices.

Given these assumptions, the overall impact of the fall in the terms of trade is a decrease in the underlying cash balance of around \$3.0 billion in 2013-14 and around \$5.5 billion in 2014-15 (Table 3.17).

Table 3.17: Illustrative sensitivity of the budget balance to a 1 per cent decrease in nominal GDP due to a fall in the terms of trade

	2013-14 \$b	2014-15 \$b
Receipts		
Individuals and other withholding taxes	-0.6	-1.7
Superannuation fund taxes	-0.1	-0.2
Company tax	-1.8	-3.1
Resource rent taxes	-0.2	-0.1
Goods and services tax	-0.1	-0.3
Excise and customs duty	-0.1	-0.1
Other taxes	0.0	0.0
Total receipts	-2.9	-5.5
Payments		
Income support	-0.1	-0.2
Other payments	0.0	0.1
Goods and services tax	0.1	0.3
Total payments	0.0	0.2
Public debt interest	-0.1	-0.2
Underlying cash balance impact(a)	-3.0	-5.5

(a) Estimated impacts fall within the 70 per cent confidence interval for years 2013-14 and 2014-15, as shown in Attachment B Chart 3.11.

On the receipts side, a fall in the terms of trade results in a fall in nominal GDP which reduces tax collections. The largest impact is on company tax receipts as the fall in export income decreases company profits. Owing to lags in the tax system, the effect on company tax is larger in 2014-15. Lower company profits are assumed to flow through to lower Australian equity prices, therefore reducing capital gains tax from individuals, companies and superannuation funds.

The weaker economy results in lower aggregate demand, which flows through to lower employment and wages, reducing individuals' income tax receipts. The decrease in disposable incomes leads to lower consumption, which in turn results in a decrease in GST receipts (decreasing GST payments to the States by the same amount) and other indirect taxes.

On the payments side, a significant proportion of government expenditure is partially indexed to movements in costs (as reflected in various price and wage measures). Some forms of expenditure, in particular income support payments, are also driven by the number of beneficiaries.

The overall estimated expenditure on income support payments (including pensions and allowances) increases in both years due to a higher number of unemployment benefit recipients. The increase in unemployment benefits in 2014-15 is partly offset by reduced expenditure on pensions and allowances reflecting lower growth in benefit rates resulting from lower wages growth and lower inflation. At the same time other payments linked to inflation fall in line with the reduced growth in prices.

The reduction in the underlying cash balance results in a higher borrowing requirement and a higher public debt interest cost.

As noted above, under a floating exchange rate, the depreciation of the exchange rate would dampen the effects of the fall in the terms of trade on real GDP, meaning the impact on the fiscal position could be substantially more subdued. Also, to the extent that the fall in the terms of trade is temporary rather than permanent, the impact on the economic and fiscal position would be more subdued.

Scenario 2

The second scenario involves a permanent 0.5 per cent increase in both the participation rate and labour productivity, resulting in a 1 per cent increase in the level of real GDP from 2013-14. Once again, the sensitivity analysis evaluates the flow-on effects on the economy, the labour market and prices. The impacts in Table 3.18 are highly stylised and refer to per cent deviations from the baseline levels of the parameters.

The 1 per cent increase in real GDP increases nominal GDP by slightly less but the magnitude of the effects on receipts, payments and the underlying cash balance differ from the first scenario because this variation in the outlook affects different parts of the economy in different ways.

Table 3.18: Illustrative impact of an ongoing equal increase in both labour productivity and participation consistent with a 1 per cent increase in real GDP from 2013-14 (per cent deviation from the baseline level)

	2013-14 per cent	2014-15 per cent
Nominal GDP	3/4	3/4
Non-farm GDP deflator	- 1/4	- 1/4
Employment	1/2	1/2
Wages	1/4	1/4
CPI	- 1/4	- 1/4
Company profits	1 3/4	1 3/4
Consumption	1	1

The increase in labour force participation and labour productivity both have the same impact on output, but different impacts on the labour market. Higher productivity leads to higher real GDP and higher real wages, while an increase in the participation rate increases employment and real GDP. Imports are higher in this scenario, reflecting higher domestic incomes.

Since the supply side of the economy expands, inflation falls relative to the baseline. The lower domestic prices make exports more attractive to foreigners, with the resulting increase in exports offsetting higher imports, leaving the trade balance unchanged. The exchange rate is assumed to be unchanged.

The overall impact of the increase in labour productivity and participation is an increase in the underlying cash balance of around \$3.1 billion in 2013-14 and around \$3.4 billion in 2014-15 (Table 3.19).

Table 3.19: Illustrative sensitivity of the budget balance to a 1 per cent increase in real GDP due to an equal increase in both productivity and participation

	2013-14 \$b	2014-15 \$b
Receipts		
Individuals and other withholding taxes	1.7	1.2
Superannuation fund taxes	0.1	0.2
Company tax	1.0	1.5
Goods and services tax	0.5	0.5
Excise and customs duty	0.3	0.3
Other taxes	0.0	0.0
Total receipts	3.6	3.7
Payments		
Income support	-0.1	-0.1
Other payments	0.0	0.1
Goods and services tax	-0.5	-0.5
Total payments	-0.6	-0.5
Underlying cash balance impact(a)	3.1	3.4

(a) Estimated impacts fall within the 70 per cent confidence interval for years 2013-14 and 2014-15, as shown in Attachment B Chart 3.11.

On the receipts side, individuals' income tax collections increase because of the rise in the number of wage earners and, additionally, higher real wages. The stronger labour market also increases superannuation fund taxes through higher contributions (including compulsory contributions) to superannuation funds. The increase in personal incomes leads to higher consumption which results in an increase in GST receipts (with the corresponding receipts passed on in higher GST payments to the States). In addition, the stronger economy results in higher levels of corporate profitability, increasing company taxes.

On the payments side, overall estimated expenditure on income support payments (including pensions and allowances) is slightly higher primarily reflecting growth in benefit rates through their indexation to wages. Lower inflation has a partially offsetting effect.

On balance, the rise in estimated tax collections is only partially offset by increased payments. This improves the underlying cash position, which results in a lower borrowing requirement and lower public debt interest cost.

To the extent that the increases in productivity and participation are temporary rather than permanent, the impact on the economic and fiscal position would be more subdued.

Summary

As already discussed, the rule of thumb does not incorporate economic feedbacks and likely policy responses. In practice, the actual fiscal outcomes are likely to vary considerably. Attachment B illustrates the probable range of fiscal outcomes when all economic variables have been considered.

Attachment B

CONFIDENCE INTERVALS AROUND THE ECONOMIC AND FISCAL FORECASTS

Estimates of economic and fiscal variables over the forward estimates period are subject to inherent uncertainties, which generally tend to increase as the forecast horizon lengthens. Confidence intervals quantifying estimates of uncertainty around the key 2013-14 MYEFO forecasts have been constructed using a set of historical forecasting errors based on forecasts made since 1998 (where errors are defined by the difference between the forecasts and actual outcomes). These confidence intervals highlight that there is a range of plausible alternative outcomes around any given point estimate and provide a guide to the degree of uncertainty around these forecasts, typically spanning a wide range of outcomes.¹ As part of continuing to improve its forecasting processes, Treasury is implementing the recommendations of the 2012 *Review of Treasury Macroeconomic and Revenue Forecasting*.

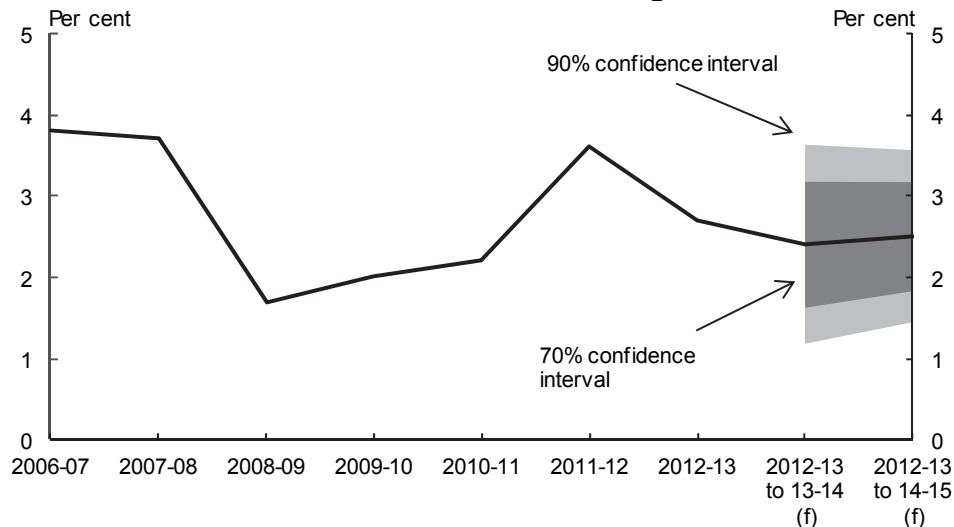
Measures of uncertainty around economic forecasts

For real and nominal GDP forecasts, confidence intervals could be presented around forecasts of annual growth rates, average annualised growth rates or cumulative growth rates. While all three measures have merit, a key role of GDP forecasts is an input for producing revenue and expenses forecasts. For this purpose, the average annualised GDP growth rate or cumulative GDP growth rate is the more relevant summary statistic, since the level of GDP depends on cumulative growth over time. The average annualised growth rate is reported as it captures the effects of cumulative growth, while still giving a sense of what the annual growth rate would be.

Chart 3.7 suggests that real GDP growth in 2013-14 is expected to be 2½ per cent, with the 70 per cent confidence interval ranging from 1½ to 3¼ per cent. In other words, if forecast errors are similar to those in the past 15 years, there is a 70 per cent probability that the growth rate will lie in this range.

¹ The 2012 *Review of Treasury Macroeconomic and Revenue Forecasting* found that the official macroeconomic and tax revenue forecasting performance is comparable with or better than that of other forecasters, suggesting that the uncertainty around the forecasts is similar or smaller than those of other forecasters.

Chart 3.7: Confidence intervals around real GDP growth rate forecasts

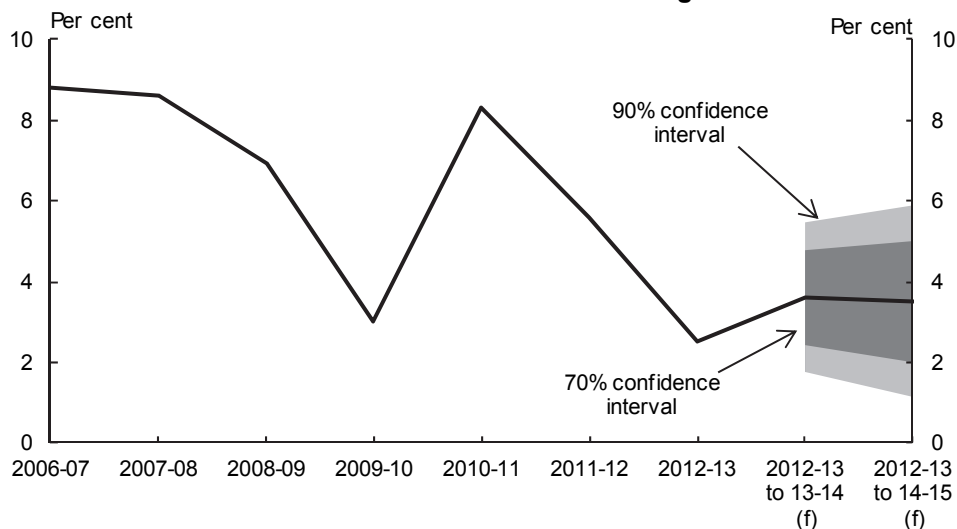


Note: The central line shows the outcomes and the 2013-14 MYEFO forecasts. Annual growth rates are reported for the outcomes. Average annualised growth rates from 2012-13 are reported for 2013-14 onwards. (f) are forecasts. Confidence intervals are based on the root mean square errors (RMSEs) of December forecasts from 1998 onwards, with outcomes based on September quarter 2013 National Accounts data.

Source: ABS cat. no. 5206.0 and Treasury.

The uncertainty around nominal GDP is larger, reflecting uncertainty about the outlook for real GDP and uncertainty about the outlook for prices or the GDP deflator. Chart 3.8 suggests that nominal GDP growth in 2013-14 is expected to be 3½ per cent, with the 70 per cent confidence interval ranging from 2½ to 4¾ per cent.

Chart 3.8: Confidence intervals around nominal GDP growth rate forecasts



Note: See note to Chart 3.7.

Source: ABS cat. no. 5206.0 and Treasury.

Measures of uncertainty around fiscal forecasts

The following charts illustrate measures of uncertainty around the key 2013-14 MYEFO fiscal forecasts. These charts show confidence intervals around the forecasts for receipts (excluding GST and including Future Fund earnings), payments (excluding GST) and the underlying cash balance (which excludes Future Fund earnings). These confidence intervals have been calculated by comparing the historical forecasts of the relevant fiscal variable with the outcome, expressed as a proportion of the GDP outcome in the relevant year.²

Impacts of future policy decisions are beyond the scope of fiscal forecasts. To account for this, confidence intervals constructed around the fiscal variables exclude historical variations caused by policy decisions. These intervals take into account errors caused by parameter and other variations in isolation, but include the public debt interest impact of policy decisions.³

It should be noted that excluding historical variations due to policy decisions does not exclude cases that are classified in budget documentation as parameter and other variations, but have more in common with decisions of government. For example, specific decisions to re-profile spending due to changes in timing of projects are captured for reporting purposes as parameter and other variations. Similarly, new and often substantial spending decisions to provide assistance for the impacts of natural disasters are covered under the *Natural Disaster Relief and Recovery Arrangements* and are captured for budget reporting purposes as parameter and other variations. The treatment of these spending decisions contributes to the size of the confidence intervals around payments. Further uncertainty from this source can be expected over the forecast period as provisions for impacts of future natural disasters are not included in estimates beyond the budget year.

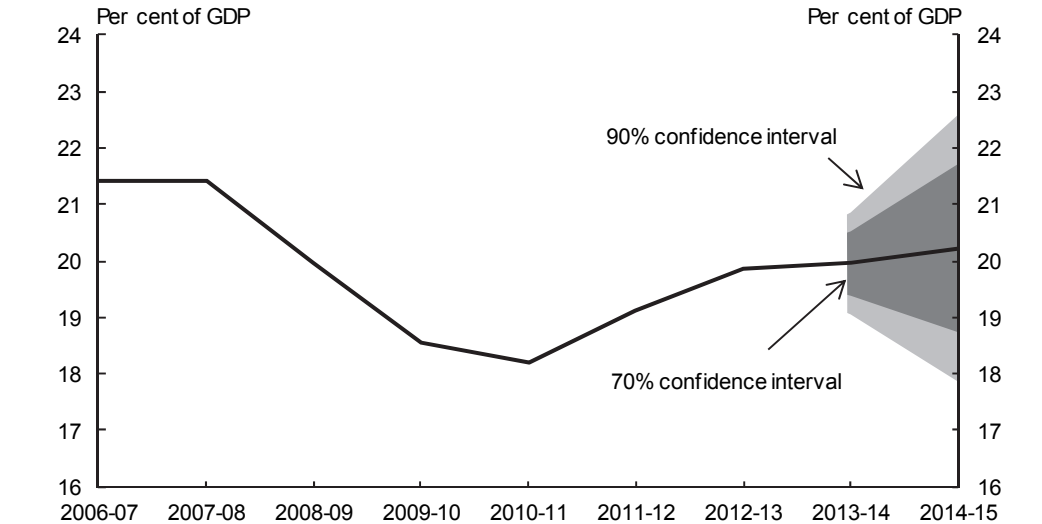
GST was not reported as a Commonwealth tax in budget documents prior to the 2008-09 Budget. As a result, GST data has been removed from historical receipts and payments data to abstract from any error associated with this change in accounting treatment.

2 The confidence intervals around the fiscal forecasts are based on GDP outcomes, rather than GDP forecasts, as discussed in Treasury Working Paper 2013-04: *Estimates of uncertainty around budget forecasts* which found that forecast errors for GDP and receipts (in particular) are highly correlated.

3 The impacts of past policy decisions on historical public debt interest through time cannot be readily identified or estimated. For this reason, no adjustment has been made to exclude these impacts from the analysis.

Receipts

Chart 3.9: Confidence intervals around receipt forecasts



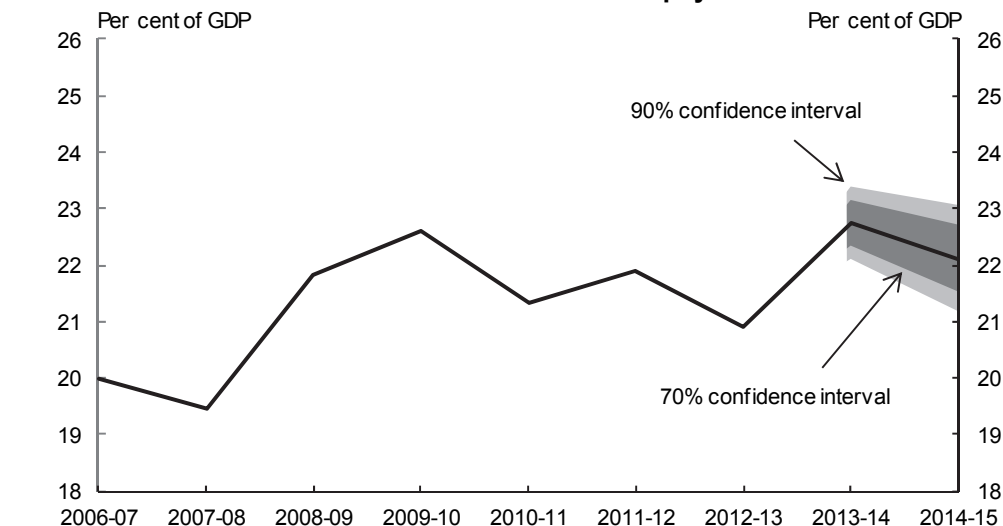
Note: The central line shows the outcomes and 2013-14 MYEFO point estimate forecasts. Confidence intervals use RMSEs for MYEFO forecasts from the 1998-99 MYEFO onwards.

Source: Budget papers and Treasury.

Chart 3.9 suggests that there is notable uncertainty around receipt forecasts and that this uncertainty increases over the estimates period. It suggests that in 2013-14, the width of the 70 per cent confidence interval for the 2013-14 MYEFO receipts forecast is approximately 1.1 per cent of GDP (\$20 billion) and the 90 per cent confidence interval is approximately 1.8 per cent of GDP (\$30 billion).

Payments

Chart 3.10: Confidence intervals around payment forecasts



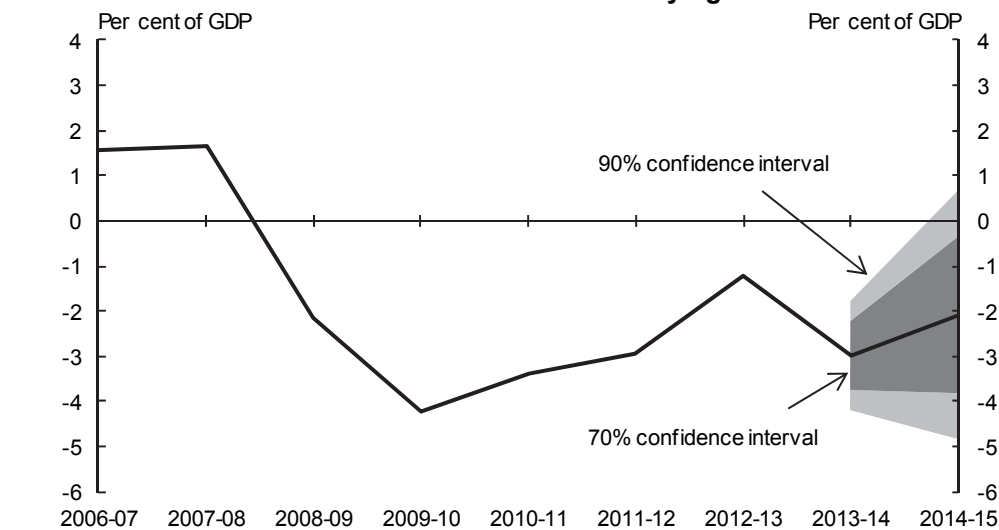
Note: See note to Chart 3.9.

Source: Budget papers and Treasury.

Chart 3.10 suggests that there is moderate uncertainty around payment forecasts and that this uncertainty exhibits apparent but contained growth over the estimates period. It suggests that in 2013-14, the width of the 70 per cent confidence interval for the 2013-14 MYEFO payments forecast is approximately 0.8 per cent of GDP (\$15 billion) and the 90 per cent confidence interval is approximately 1.3 per cent of GDP (\$20 billion).

Underlying cash balance

Chart 3.11: Confidence intervals around the underlying cash balance forecasts



Note: See note to Chart 3.9.

Source: Budget papers and Treasury.

Chart 3.11 suggests that there is notable uncertainty around the underlying cash balance forecasts and that this uncertainty exhibits pronounced growth over the estimates period. It suggests that in 2013-14, the width of the 70 per cent confidence interval for the 2013-14 MYEFO underlying cash balance forecast is approximately 1.5 per cent of GDP (\$25 billion) and the 90 per cent confidence interval is approximately 2.4 per cent of GDP (\$40 billion).

Further details on the methodology used to construct confidence intervals around the economic and fiscal forecasts can be found in Treasury Working Paper 2013-04: *Estimates of uncertainty around budget forecasts* available online at: <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2013/Estimates-of-uncertainty-around-budget-forecasts>.

Attachment C

TAX EXPENDITURES

This attachment contains an overview of the cost of tax expenditures provided to taxpayers through the tax system.

Tax expenditures provide a benefit to a specified activity or class of taxpayer. They can be delivered as a tax exemption, tax deduction, tax offset, reduced tax rate or deferral of tax liability. The Government can use tax expenditures to allocate resources to different activities or taxpayers in much the same way that it can use direct expenditure programs. For this reason, and noting their direct impact on the fiscal balance, these concessions are generally called 'tax expenditures'.

Table 3.20 contains estimates of aggregate tax expenditures for the period from 2009-10 to 2016-17. These estimates reflect tax expenditure data reported in the *2012 Tax Expenditures Statement*. Changes in GDP forecasts have been reflected in the revised estimates of tax expenditures as a proportion of GDP.

Table 3.20: Total measured tax expenditures

Year	Housing \$m	Superannuation \$m	Other tax expenditures \$m	Total \$m	Tax expenditure as a proportion of GDP (%)
2009-10 (est)	40,000	24,089	49,842	113,931	8.8
2010-11 (est)	35,500	27,450	52,032	114,982	8.2
2011-12 (est)	31,000	30,262	50,072	111,334	7.5
2012-13 (proj)	30,000	31,846	53,174	115,020	7.6
2013-14 (proj)	29,500	34,645	55,436	119,581	7.6
2014-15 (proj)	30,000	39,615	58,881	128,496	7.9
2015-16 (proj)	30,500	44,815	61,961	137,276	8.0
2016-17 (proj)	31,000	50,655	64,792	146,447	8.2

The table does not reflect policy decisions taken since the 2012-13 MYEFO. Updated tax expenditure estimates will be published in the *2013 Tax Expenditures Statement*. This will include estimates for any new, revised or modified tax expenditures since the *2012 Tax Expenditures Statement*.

Care needs to be taken when analysing tax expenditure data: see Section 2.5 of the *2012 Tax Expenditures Statement* for a detailed discussion.

Attachment D

SUPPLEMENTARY EXPENSES TABLE AND THE CONTINGENCY RESERVE

Expenses

Table 3.21 shows estimates of Australian Government general government expenses by function and sub-function for 2013-14 and the forward years.

Table 3.21: Estimates of Australian Government general government sector expenses by function and sub-function^(a)

	Estimates				Projections							
	2013-14		2014-15		2015-16				2016-17			
	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %
General public services												
Legislative and executive affairs	1,335	1,287	-4	1,222	1,189	-3	1,033	1,006	-3	1,264	1,224	-3
Financial and fiscal affairs	8,112	17,102	111	8,194	8,349	2	8,335	8,507	2	8,741	8,767	0
Foreign affairs and economic aid	6,752	6,816	1	7,010	6,936	-1	7,650	7,354	-4	8,860	7,976	-10
General research	2,663	2,719	2	2,648	2,682	1	2,511	2,519	0	2,414	2,404	0
General services	695	714	3	704	713	1	728	740	2	748	763	2
Government superannuation benefits	3,466	4,725	36	3,460	3,540	2	3,499	3,642	4	3,510	3,527	0
Defence	22,045	22,646	3	23,345	23,722	2	25,094	25,099	0	25,834	25,423	-2
Public order and safety	4,272	4,415	3	4,132	4,222	2	4,087	4,058	-1	4,048	3,988	-1
Education	29,742	30,174	1	30,386	30,784	1	31,790	31,954	1	34,007	34,044	0
Health	64,636	64,685	0	68,081	67,592	-1	71,597	70,870	-1	75,493	74,574	-1
Social security and welfare	138,145	138,667	0	144,021	144,313	0	149,911	148,386	-1	158,479	156,785	-1
Housing and community amenities	8,775	8,622	-2	8,930	4,780	-46	6,508	4,598	-29	7,594	4,636	-39
Recreation and culture	3,696	3,835	4	3,551	3,645	3	3,433	3,481	1	3,468	3,481	0
Fuel and energy	7,586	7,256	-4	7,557	7,049	-7	7,701	7,056	-8	7,574	7,170	-5
Agriculture, fisheries and forestry	2,654	2,632	-1	2,709	2,717	0	3,047	2,929	-4	2,702	2,645	-2
Mining, manufacturing and construction	2,431	2,870	18	2,734	2,710	-1	2,592	2,633	2	2,328	2,548	9
Transport and communication	6,453	7,398	15	6,555	8,553	30	6,005	7,166	19	5,401	4,567	-15
Other economic affairs												
Tourism and area promotion	189	185	-2	187	183	-2	169	169	0	174	169	-3
Labour and employment affairs	4,358	4,315	-1	4,319	4,341	1	4,381	4,445	1	4,327	4,381	1
Immigration	4,376	4,947	13	3,617	4,552	26	3,461	3,716	7	3,065	2,993	-2
Other economic affairs nec	2,359	2,347	-1	2,362	2,171	-8	2,342	2,180	-7	2,333	2,195	-6

Table 3.21: Estimates of Australian Government general government sector expenses by function and sub-function^(a)
(continued)

	Estimates						Projections					
	2013-14			2014-15			2015-16			2016-17		
	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %	Budget \$m	MYEFO \$m	Change on Budget %
Other purposes												
Public debt interest	12,456	13,467	8	12,733	14,954	17	12,902	16,741	30	12,891	18,028	40
Nominal superannuation interest	8,462	8,197	-3	8,773	8,838	1	9,093	9,160	1	9,423	9,495	1
General purpose inter-government transactions	52,397	52,379	0	56,171	56,233	0	59,248	59,408	0	62,222	62,669	1
Natural disaster relief	147	157	7	97	92	-5	22	19	-14	0	0	0
Contingency reserve	98	-497	-607	2,166	2,896	34	3,873	8,184	111	7,850	12,658	61
Total expenses	398,301	412,060	3	415,663	417,758	1	431,015	436,019	1	454,747	457,110	1

(a) The Budget numbers are used in this table as this table was not published in the 2013 PEFO.

Contingency Reserve

The Contingency Reserve (other purposes function) is an allowance, included in aggregate expenses, principally to reflect anticipated events that cannot be assigned to individual programs in the preparation of the Australian Government budget estimates. The Contingency Reserve is used to ensure that the estimates are based on the best information available at the time of the Mid-Year Economic and Fiscal Outlook (MYEFO). It is not a general policy reserve.

While the Contingency Reserve is designed to ensure that aggregate estimates are as close as possible to expected outcomes, it is not appropriated. Allowances that are included in the Contingency Reserve can only be drawn upon once they have been appropriated by Parliament. These allowances are allocated to specific agencies for appropriation closer to the time when the associated events eventuate.

The Contingency Reserve contains a provision for underspends in the current financial year reflecting the tendency for budgeted expenses for some agencies or functions not to be met, and an allowance for the tendency for estimates of expenses for existing Government policy to be revised upwards in the forward years, known as the conservative bias allowance. Since the 2013-14 Budget, the allowance has been drawn down to $\frac{1}{4}$ of a per cent of total general government sector expenses (excluding GST payments to the States) in the first forward year (2014-15), $\frac{3}{4}$ of a per cent of expenses in the second forward year (2015-16), and 1 $\frac{1}{2}$ per cent of expenses in the third forward year (2016-17). The drawdown of the allowance reduced expenses by \$889 million in 2014-15, \$914 million in 2015-16 and \$1.9 billion in 2016-17. The drawdown of the conservative bias allowance during the MYEFO estimates update is consistent with long standing practice and does not represent a saving or offset to Government spending measures.

In general, the Contingency Reserve can include:

- commercial-in-confidence and national security-in-confidence items that cannot be disclosed separately, and programmes that are yet to be negotiated with State and Territory governments, for instance, Commonwealth provisioning for unfunded superannuation liabilities for New South Wales universities;
- the effect on the budget and forward estimates of economic parameter revisions received late in the process which were unable to be allocated to individual agencies or functions, in particular the impacts of the September quarter national accounts;
- decisions taken but not yet announced by the Government, and decisions made too late for inclusion against individual agency estimates; and

Part 3: Fiscal outlook

- provision for other specific events and pressures that are reasonably expected to affect the budget estimates, for instance, provisioning for unfunded public service redundancies and critical funding shortfalls for the operations and capital requirements of some agencies. These will be reviewed and outcomes will be outlined in the 2014-15 Budget.

A provision for election commitment expenses that will be progressed in the 2014-15 Budget has also been included in the Contingency Reserve as an estimates variation and allocated to the contingency reserve sub-function in Table 3.21. This is consistent with the treatment of outstanding election commitments in the MYEFO following the 2004 and the 2010 Federal elections. Key commitments that have been included in this provision include the Paid Parental Leave scheme, the Emissions Reduction Fund and the commitment to grow official development assistance in line with forecast growth in inflation. The Election commitment provision does not include the \$5.2 billion saving associated with a 12,000 reduction in the Australian Public Service headcount, though it remains the intention of the Government that the size of the public sector be assessed as part of the National Commission of Audit.

Attachment E

AUSTRALIA'S FEDERAL RELATIONS

This attachment provides information on payments for specific purposes and general revenue assistance provided to the States and Territories (the States).

The current framework for federal financial relations under the *Intergovernmental Agreement on Federal Financial Relations* (the Intergovernmental Agreement) was introduced on 1 January 2009.

The Commonwealth provides substantial funding to the States through both general revenue assistance and specific purpose payments.

More detailed information on the Intergovernmental Agreement and Australia's federal financial relations is provided in Budget Paper No. 3, *Australia's Federal Relations 2013-14*, and at www.federalfinancialrelations.gov.au.

Overview of payments to the States

Payments to the States in 2013-14 are estimated to be \$96.3 billion, or 23.4 per cent of total Commonwealth expenditure for the year. This amount comprises payments for specific purposes of \$45.1 billion and general revenue assistance of \$51.2 billion.

Table 3.22 shows payments for specific purposes and general revenue assistance to the States.

Table 3.22: Commonwealth payments to the States, 2013-14 to 2016-17

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
2013-14									
Payments for specific purposes	11,962	10,614	8,148	4,422	2,864	934	671	863	45,053
General revenue assistance	15,528	11,268	10,696	2,510	4,558	1,786	1,055	2,751	51,221
Total payments to the States	27,490	21,882	18,844	6,932	7,422	2,720	1,726	3,614	96,274
2014-15									
Payments for specific purposes	12,615	10,603	8,486	4,551	3,018	944	787	920	47,885
General revenue assistance	16,614	11,762	11,555	2,125	4,723	1,952	1,161	2,978	53,872
Total payments to the States	29,229	22,365	20,040	6,676	7,741	2,896	1,948	3,898	101,757
2015-16									
Payments for specific purposes	13,351	10,747	8,930	4,872	3,439	1,032	743	928	48,786
General revenue assistance	17,669	12,583	12,005	2,380	4,813	2,142	1,245	3,118	56,947
Total payments to the States	31,020	23,331	20,935	7,252	8,252	3,174	1,988	4,047	105,733
2016-17									
Payments for specific purposes	14,279	11,178	9,754	5,292	3,397	1,030	817	1,009	49,433
General revenue assistance	18,617	13,350	12,712	2,661	5,032	2,208	1,311	3,221	60,102
Total payments to the States	32,896	24,528	22,467	7,954	8,429	3,237	2,128	4,230	109,535

(a) Total column may not equal sum of State totals. There is no basis on which to estimate State allocations for a small number of payments, which are not reflected in State totals.

Payments for specific purposes

The Commonwealth provides payments to the States for specific purposes in areas that may be administered by the States. Payments to the States for specific purposes will total \$45.1 billion in 2013-14, which is estimated to represent 10.9 per cent of total Commonwealth expenditure in 2013-14.

The Commonwealth provides the following types of Specific Purpose Payments (SPPs) to the States:

- National Specific Purpose Payments (National SPPs) in respect of key service delivery sectors;
- National Health Reform (NHR) funding, which commenced from 1 July 2012;
- Students First — A fairer funding agreement for schools, which will commence from 1 January 2014; and
- National Partnership payments — project, facilitation and reward payments.

Table 3.23 shows total payments for specific purposes by category (National SPPs, NHR funding, Students First — A fairer funding agreement for schools and National Partnership payments).

Table 3.23: Total payments for specific purposes by category, 2013-14 to 2016-17

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
2013-14									
National Specific Purpose Payments	3,295	2,574	2,149	1,098	685	194	182	109	10,285
National Health Reform funding(b)	4,457	3,459	2,816	1,529	1,005	308	232	144	13,949
Students First – A fairer funding agreement for schools	2,082	1,682	1,434	713	515	165	118	118	6,827
National Partnership payments(c)	2,127	2,900	1,749	1,082	660	267	140	492	13,992
Total payments for specific purposes	11,962	10,614	8,148	4,422	2,864	934	671	863	45,053
2014-15									
National Specific Purpose Payments	1,315	1,024	844	459	224	64	71	26	4,028
National Health Reform funding(d)	4,873	3,794	3,102	1,730	1,115	333	267	168	15,383
Students First – A fairer funding agreement for schools	4,333	3,537	3,049	1,518	1,062	342	244	247	14,331
National Partnership payments(c)	2,094	2,248	1,491	844	616	205	205	479	14,143
Total payments for specific purposes	12,615	10,603	8,486	4,551	3,018	944	787	920	47,885
2015-16									
National Specific Purpose Payments	1,341	1,049	866	477	228	65	73	26	4,125
National Health Reform funding(d)	5,351	4,159	3,429	1,962	1,242	361	308	196	17,009
Students First – A fairer funding agreement for schools	4,671	3,850	3,404	1,686	1,126	370	258	268	15,633
National Partnership payments(c)	1,988	1,689	1,231	747	843	236	105	438	12,019
Total payments for specific purposes	13,351	10,747	8,930	4,872	3,439	1,032	743	928	48,786
2016-17									
National Specific Purpose Payments	1,369	1,075	890	496	232	65	75	27	4,229
National Health Reform funding(d)	5,871	4,551	3,787	2,218	1,380	392	352	226	18,778
Students First – A fairer funding agreement for schools	5,111	4,146	3,776	1,849	1,195	400	273	293	17,043
National Partnership payments(c)	1,927	1,405	1,301	730	591	172	117	463	9,383
Total payments for specific purposes	14,279	11,178	9,754	5,292	3,397	1,030	817	1,009	49,433

(a) State allocations are not yet finalised for several National Partnership payments; unallocated payments are not included in State totals.

(b) State allocations of National Health Reform funding for 2013-14 are shown on the equal per capita basis provided for under the previous National Healthcare SPP. Adjustments will take place with respect to cross-border activity, where residents of one State receive hospital treatment in another State.

(c) Includes financial assistance grants for local government.

(d) The efficient growth funding component of National Health Reform funding in 2014-15, 2015-16 and 2016-17 is indicative only. The distribution of efficient growth funding will be determined by efficient growth in activity in each State.

Part 3: Fiscal outlook

The majority of payments for specific purposes relate to National SPPs, NHR funding and Students First – A fairer funding agreement for schools, and total \$31.1 billion in 2013-14, an estimated increase of \$1.9 billion over the \$29.2 billion States received in 2012-13.

States will receive increased NHR funding in 2013-14 of \$13.9 billion, compared to \$13.3 billion in 2012-13, with NHR funding expected to grow at an average of 9.0 per cent across the forward estimates. The government has decided to provide additional funding to the States to offset a downward parameter adjustment to NHR funding in 2013-14 in accordance with the National Health Reform Agreement. This will prevent a mid-year cut to health budgets and ensure that Local Hospital Networks are provided with increased funding certainty in the 2013-14 financial year.

Downward variation between the 2013-14 Budget and the 2013-14 MYEFO	- \$91.2 million
Upward variation at the 2012-13 Final Budget Outcome	+ \$25.0 million
Net additional Commonwealth funding to States and Territories	+ \$66.3 million

The Government has announced that, under its Students First – A fairer funding agreement for schools programme, it will restore the \$1.2 billion of States' shares of additional school funding to Queensland, Western Australia and the Northern Territory, which had been removed. This will bring the total additional funding for Students First – A fairer funding agreement for schools over the next four years to \$2.8 billion, in line with the funding announced in the 2013-14 Budget.

Payments for specific purposes cover most areas of state and local government activity including health, education, skills and workforce development, community services, affordable housing, infrastructure and environment. Table 3.24 shows total payments for specific purposes by sector.

Table 3.24: Payments for specific purposes by sector, 2013-14 to 2016-17

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
2013-14									
Health	4,980	3,950	3,217	1,769	1,142	382	261	229	15,997
Education	4,444	3,536	2,968	1,489	1,081	328	245	299	14,391
Skills and workforce development	566	443	352	187	128	40	29	19	1,764
Community services	596	802	408	342	108	12	34	104	2,407
Affordable housing	534	346	475	351	146	37	28	162	2,080
Infrastructure	198	1,010	126	81	51	15	28	21	6,038
Environment	151	208	79	15	85	42	4	6	590
Contingent payments	17	3	135	2	..	..	..	-	158
Other(b)	475	315	387	185	124	76	41	24	1,628
Total payments for specific purposes	11,962	10,614	8,148	4,422	2,864	934	671	863	45,053
2014-15									
Health	5,315	4,188	3,353	1,891	1,186	375	285	294	16,886
Education	4,458	3,639	3,132	1,562	1,090	350	253	307	14,791
Skills and workforce development	587	460	374	202	133	41	30	19	1,847
Community services	625	443	391	198	139	23	32	100	1,951
Affordable housing	476	326	420	311	121	31	22	140	1,846
Infrastructure	169	723	100	66	49	14	102	14	7,199
Environment	180	219	51	9	124	30	2	7	621
Contingent payments	4	1	88	..	..	-	..	-	93
Other(b)	802	604	577	313	175	81	60	40	2,652
Total payments for specific purposes	12,615	10,603	8,486	4,551	3,018	944	787	920	47,885
2015-16									
Health	5,779	4,467	3,608	2,060	1,321	444	320	293	18,292
Education	4,685	3,861	3,415	1,694	1,129	371	262	323	15,738
Skills and workforce development	583	455	373	204	131	40	30	19	1,834
Community services	686	485	414	241	157	27	38	102	2,149
Affordable housing	436	331	406	274	113	31	22	132	1,746
Infrastructure	168	421	100	66	281	14	8	12	5,811
Environment	181	99	63	5	127	22	2	6	504
Contingent payments	1	-	19	..	..	-	..	-	20
Other(b)	832	628	533	328	182	84	62	42	2,691
Total payments for specific purposes	13,351	10,747	8,930	4,872	3,439	1,032	743	928	48,786
2016-17									
Health	6,181	4,778	3,979	2,317	1,444	413	367	278	19,756
Education	5,112	4,147	3,776	1,849	1,195	400	273	339	17,091
Skills and workforce development	634	496	407	224	142	43	33	21	2,000
Community services	750	543	475	237	180	31	47	104	2,367
Affordable housing	441	337	403	252	109	31	23	211	1,807
Infrastructure	169	120	100	66	49	14	8	12	3,214
Environment	127	104	59	3	90	11	2	1	397
Contingent payments	-	-	-	-	-	-	-	-	-
Other(b)	863	654	556	345	188	87	65	43	2,801
Total payments for specific purposes	14,279	11,178	9,754	5,292	3,397	1,030	817	1,009	49,433

(a) State allocations are not yet finalised for several National Partnership payments; unallocated payments are not included in State totals.

(b) Includes financial assistance grants for local government.

Total payments for specific purposes by sector and category (National SPPs, NHR funding, Students First – A fairer funding agreement for schools and National Partnership payments) are shown in Table 3.25.

Table 3.25: Payments for specific purposes by sector and category, 2013-14 to 2016-17

\$million	2013-14	2014-15	2015-16	2016-17
<i>Health</i>				
National Health Reform funding	13,949	15,383	17,009	18,778
National Partnerships	2,048	1,503	1,283	979
<i>Education</i>				
National Schools SPP	6,385	-	-	-
Students First – A fairer funding agreement for schools	6,827	14,331	15,633	17,043
National Partnerships	1,178	460	105	48
<i>Skills and workforce development</i>				
National Skills and Workforce Development SPP	1,409	1,433	1,457	1,484
National Partnerships	355	414	377	516
<i>Community services</i>				
National Disability SPP(a)	1,208	1,290	1,342	1,396
National Partnerships	1,199	660	807	971
<i>Affordable housing</i>				
National Affordable Housing SPP	1,283	1,304	1,325	1,349
National Partnerships	797	541	420	458
<i>Infrastructure</i>				
National Partnerships	6,038	7,199	5,811	3,214
<i>Environment</i>				
National Partnerships	590	621	504	397
<i>Contingent payments</i>				
National Partnerships	158	93	20	-
<i>Other</i>				
National Partnerships(b)	1,628	2,652	2,691	2,801
Total payments for specific purposes	45,053	47,885	48,786	49,433

(a) Includes adjustment to the National Disability SPP to achieve budget neutrality under National Health Reform (see footnote to Table A.4 in Annex A (available online) for details).

(b) Includes financial assistance grants for local government.

Detailed tables of payments for specific purposes are provided in Annex A (available online). This Annex provides accrual estimates of Commonwealth payments to the States.

The Commonwealth provides funding under the Natural Disaster Relief and Recovery Arrangements (NDRRA) to assist the States with relief and recovery assistance following eligible natural disasters.

For accounting purposes, the Commonwealth recognises a liability equal to the present value of future payments expected to be made to the States under the NDRRA. This is regardless of whether or not a State has completed eligible disaster reconstruction work or submitted an eligible claim under the NDRRA.

The estimated NDRRA cash payments are shown in Table 3.26 below (see Table A.8 in Annex A (available online) for accrual estimates).

Table 3.26: Estimated NDRRA cash payments, 2013-14 to 2016-17

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2013-14	484,038	63,163	1,860,600	53,226	3,044	15,539	-	-	2,479,610
2014-15	118,755	23,177	2,525,359	6,416	9	-	-	-	2,673,716
2015-16	-	-	692,750	-	-	-	-	-	692,750
2016-17	-	-	-	-	-	-	-	-	-

GST and general revenue assistance

General revenue assistance is provided to the States without conditions, and can be spent by the States according to their own budget priorities.

In 2013-14, the States will receive \$51.2 billion in general revenue assistance from the Commonwealth, comprising \$50.0 billion in GST entitlements and \$1.2 billion in other general revenue assistance. This is a 4.0 per cent increase in general revenue assistance, on the \$49.3 billion the States received in 2012-13. Total general revenue assistance to the States is estimated to represent 12.4 per cent of total Commonwealth expenditure in 2013-14.

GST entitlements in 2013-14 has been revised down by \$460 million since the 2013 PEFO and down by \$2.6 billion over the four years to 2016-17.

Table 3.27 summarises GST and general revenue assistance payments to the States. Detailed tables of GST and general revenue assistance, including state shares of each payment, are provided in Annex A (available online).

Table 3.27: GST and general revenue assistance, 2013-14 to 2016-17

\$million	2013-14	2014-15	2015-16	2016-17
GST entitlements	49,980.0	52,700.0	55,780.0	58,940.0
Other payments				
<i>ACT municipal services</i>	37.3	37.9	38.6	39.2
<i>Reduced royalties</i>	59.0	57.3	62.3	59.4
<i>Royalties</i>	1,070.5	1,002.5	991.8	989.1
<i>Snowy Hydro Ltd tax compensation</i>	74.4	74.4	74.4	74.4
Total other	1,241.2	1,172.1	1,167.1	1,162.2
Total GST and other payments	51,221.2	53,872.1	56,947.1	60,102.2

GST

GST revenue variations since the 2013 PEFO

Table 3.28 provides a reconciliation of the GST revenue estimates since the 2013 PEFO. The reconciliation accounts for policy decisions and parameter and other variations.

Table 3.28: Reconciliation of GST revenue estimates since the 2013 PEFO

\$million	2013-14	2014-15	2015-16	2016-17
GST revenue at 2013 PEFO	52,930	56,055	59,265	62,465
<i>Changes between 2013 PEFO and MYEFO</i>				
Effect of policy decisions	-8	-125	-213	-303
Effect of parameter and other variations	-242	-220	-152	-92
Total variations	-250	-345	-365	-395
GST revenue at 2013-14 MYEFO	52,680	55,710	58,900	62,070

Specific policy decisions taken since the 2013 PEFO that affect GST revenue are shown in Table 3.29. These decisions decrease the amount of GST revenue by \$648.6 million over four years.

Detailed information on policy decisions since the 2013 PEFO are included in Appendix A.

Table 3.29: Policy decisions since the 2013 PEFO that affect GST revenue

\$million	2013-14	2014-15	2015-16	2016-17
2013-14 Humanitarian Programme	-8.0	-25.0	-43.0	-62.6
Restoring integrity in the Australian tax system	-	-100.0	-170.0	-240.0
Total GST revenue policy decisions	-8.0	-125.0	-213.0	-302.6

Reconciling GST revenue and GST entitlements to the States

Under the Intergovernmental Agreement, the States are entitled to receive payments from the Commonwealth equivalent to the revenue received from the GST.

However, GST revenue for a financial year varies from the amount of GST paid to the States for that year because of:

- GST revenues which are recognised on a Commonwealth whole-of-government basis, but not remitted to the Australian Taxation Office (ATO) by 30 June of each financial year, as the revenues will not be remitted until the following financial year;
- penalties, other than general interest charge (GIC) penalties, which are not included in the definition in the *Federal Financial Relations Act 2009* of GST to be paid to the States;
- the GST component of sales by Commonwealth agencies which has been collected by those agencies but which, as at 30 June in each year, has not been remitted to the ATO, because it is not due to be paid until the next Business Activity Statement is lodged; and
- a balancing adjustment to account for any variation in the previous financial year between the Treasurer's final outcome determination, and GST payment advances made during that financial year.

The reconciliation of GST revenue and GST entitlements to the States is provided in Table 3.30.

Table 3.30: Reconciling GST revenue and GST entitlements to the States

\$million	Outcome	Estimates			
	2012-13	2013-14	2014-15	2015-16	2016-17
GST revenue	50,313	52,680	55,710	58,900	62,070
/less change in GST receivables	1,717	2,432	2,762	2,861	2,861
GST receipts	48,596	50,248	52,948	56,039	59,209
/less non-GIC penalties collected	210	240	250	260	270
/less net GST collected by Commonwealth agencies but not yet remitted to the ATO	326	28	-2	-1	-1
GST entitlements to the States	48,061	49,980	52,700	55,780	58,940

Table 3.31 below provides information on the balancing adjustment relating to 2012-13 which has been paid in 2013-14.

Table 3.31: Balancing adjustment relating to 2012-13

\$million	Total
GST entitlements to the States in 2012-13	48,061.0
less advances of GST made throughout 2012-13	47,700.0
<i>equals</i> following year balancing adjustment	361.0

Distribution of GST entitlement pool among the States

As agreed by all parties in the Intergovernmental Agreement, GST payments are distributed among the States in accordance with the principle of horizontal fiscal equalisation, having regard to the recommendations of the Commonwealth Grants Commission. The calculations for the distribution of the GST pool in 2013-14 are shown in Table 3.32.

Table 3.32: Distribution of the GST entitlement pool, 2013-14^(a)

	Estimated 31 December 2013 population (1)	GST relativities (2)	Adjusted population (1) x (2) (3)	Share of adjusted population % (4)	2013-14 GST entitlement \$million (5)
NSW	7,446,491	0.96576	7,191,523	31.0	15,478.8
VIC	5,778,372	0.90398	5,223,533	22.5	11,242.9
QLD	4,704,647	1.05624	4,969,236	21.4	10,695.6
WA	2,553,964	0.44581	1,138,583	4.9	2,450.6
SA	1,678,385	1.26167	2,117,568	9.1	4,557.8
TAS	513,871	1.61454	829,665	3.6	1,785.7
ACT	387,359	1.22083	472,899	2.0	1,017.9
NT	240,484	5.31414	1,277,966	5.5	2,750.6
Total	23,303,573	na	23,220,973	100.0	49,980.0

(a) Total may not equal sum of State totals due to rounding.

The calculations for the distribution of the 2012-13 balancing adjustment are shown in Table 3.33. This adjustment has been paid to each State in 2013-14 following the upwards revision to the States' 2012-13 GST entitlements of \$361.0 million.

Table 3.33: Distribution of the GST balancing adjustment, 2012-13^(a)

	31 December 2012 population (1)	GST relativities (2)	Adjusted population (1) x (2) (3)	Share of adjusted population % (4)	2012-13 GST entitlement \$million (5)	2012-13 GST advances \$million (6)	Balancing adjustment \$million (5) - (6) (7)
NSW	7,348,899	0.95312	7,004,383	30.7	14,733.5	14,616.8	116.7
VIC	5,679,633	0.92106	5,231,283	22.9	11,003.8	10,922.5	81.3
QLD	4,610,932	0.98477	4,540,708	19.9	9,551.2	9,477.9	73.3
WA	2,472,717	0.55105	1,362,591	6.0	2,866.2	2,844.2	22.0
SA	1,662,169	1.28472	2,135,422	9.3	4,491.8	4,463.1	28.6
TAS	512,422	1.58088	810,078	3.5	1,704.0	1,694.2	9.8
ACT	379,554	1.19757	454,542	2.0	956.1	947.1	9.0
NT	236,869	5.52818	1,309,454	5.7	2,754.4	2,734.1	20.3
Total	22,903,195	na	22,848,460	100.0	48,061.0	47,700.0	361.0

(a) Total may not equal sum of State totals due to rounding.

GST administration costs

States compensate the Commonwealth for the costs incurred by the ATO in administering the GST, including costs incurred by the Australian Customs and Border Protection Service, as shown in Table 3.34.

Table 3.34: GST administration budget, 2012-13 to 2016-17

\$million	Actual	Estimates			
	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Taxation Office budget	694.4	698.6	707.9	710.8	580.9
<i>less</i> prior year adjustment	-13.7	-11.0			
<i>equals</i> State government payments	708.1	709.6	707.9	710.8	580.9
<i>less</i> Australian Taxation Office outcome(a)	705.3				
<i>equals</i> Commonwealth budget impact	2.8				
<i>plus</i> prior year adjustment	-13.7				
<i>equals</i> following year adjustment	-11.0				

(a) Estimated outcome for 2012-13 pending confirmation by the Australian National Audit Office.

The preliminary outcome for 2012-13 GST administration expenses of \$705.3 million differs from the amount paid by the States and the prior year adjustment by \$11.0 million. Once the audit of the outcome for GST administration expenses in 2012-13 is completed, the final adjustment will be incorporated into the States' administration costs for 2013-14.

Attachment F

DEBT STATEMENT

Following its recent amendment, the *Charter of Budget Honesty Act 1998* ('the Charter') requires the release of a Debt Statement, providing information on current and projected debt on issue in order to increase the transparency of government borrowing. This statement relates to Government stock and securities on issue, known as Commonwealth Government Securities (CGS).

This statement also includes details regarding Government spending on climate change and the extent to which this spending has contributed to debt.

Commonwealth Government Securities issuance

The Government finances its activities either through receipts or by borrowing. When receipts fall short of payments, the Government borrows by issuing CGS to investors.

Even when CGS issuance is not required to finance the government's activities, successive governments have continued to issue CGS for policy purposes, such as to maintain a liquid CGS market. A well-functioning CGS market supports the Treasury Bond futures markets (used by financial institutions to manage interest rate risk), supports the corporate bond market by providing a risk-free benchmark, and provides a low-risk investment vehicle.

The Australian Office of Financial Management (AOFM) is the agency responsible for issuing CGS and the management of the Government's financing activities. The AOFM currently issues three types of securities:

- **Treasury Bonds:** medium- to long-term securities with a fixed annual rate of interest payable every six months;
- **Treasury Indexed Bonds (TIBs):** medium- to long-term securities for which the capital value of the security is adjusted for movements in the Consumer Price Index. Interest on TIBs is paid quarterly, at a fixed rate, on the adjusted capital value; and
- **Treasury Notes:** short-term securities generally maturing within six months of issuance.

All new CGS issuance is undertaken in Australian dollars. There is a very small amount of foreign currency denominated debt securities on issue remaining from issuance undertaken before 1988. Most of these securities mature in March 2017.

Within these three broad categories of CGS, issuance is undertaken into a limited number of maturities (known as lines). Each of these lines has a fixed maturity date (the date on which the Government repays the principal it has borrowed) and, for

Treasury Bonds and TIBs, a coupon rate (the annual fixed interest rate paid on the security).

Concentrating CGS issuance into a limited number of lines (rather than issuing securities with a specific time value, such as 10 years) ensures each line is sufficiently large that it can be easily traded in the secondary market. Maintaining a limited number of liquid lines promotes demand for CGS, and assists in lowering borrowing costs.

From 2008 to 2013, CGS issuance was subject to a legislative limit (Box 1).

Box 1: History of the legislative debt limit

In July 2008, the *Commonwealth Inscribed Stock Act 1911* (CIS Act) was amended to impose a limit on the face value of Government stock and securities on issue (with some exceptions) of \$75 billion.

The legislative limit was increased in February 2009, with the introduction of a 'special circumstances' provision. Once a 'special circumstances' declaration was made, the Treasurer was able to issue an additional \$125 billion in CGS, effectively raising the limit to \$200 billion.

At the time of the 2011-12 Budget, the limit was increased to \$250 billion and the 'special circumstances' provision was removed from the CIS Act. The final increase of the limit to \$300 billion took place at the time of the 2012-13 Budget.

On 10 December 2013, the CIS Act was amended to remove the legislative debt limit. The CIS Act still requires the Treasurer to issue a direction stipulating the maximum face value of relevant stock and securities that may be on issue. On 11 December 2013, the Treasurer directed that the maximum face value of relevant stock and securities that may be on issue is \$500 billion.

Estimates and projections of CGS on issue

Estimates and projections of CGS on issue are published in both face value and market value terms in this statement.

The **face value** of CGS on issue is the amount that the Government pays back to investors at maturity, independent of fluctuations in market prices.¹ The total face value of CGS on issue changes when new securities are issued, or when securities are repurchased or reach maturity.

1 For TIBs, the final repayment amount paid to investors includes an additional amount owing to inflation accretion over the life of the security. This amount is not included in the calculation of face value.

The **market value** of CGS represents the value of CGS as traded on the secondary market, which changes continuously with movements in market prices. Consistent with external reporting standards, the market value of CGS on issue is reported on the Australian Government general government sector balance sheet. Changes in the market price of CGS will have an impact on the value of net debt.

Table 1 contains projections of the face value (end-of-year and within-year peak) and the market value (end-of-year) of CGS on issue. As required by the Charter, Table 1 reports projections of CGS on issue subject to the Treasurer's Direction. The Treasurer's Direction specifies the maximum face value of stock and securities that can be on issue, with some exceptions specified in the CIS Act.

When considering these projections, it is important to note that the AOFM publishes an issuance strategy for the budget year only. Projections beyond the budget year are based on a set of technical assumptions and will vary with changes to these assumptions and budget estimates and projections.

Table 1: Estimates and projections of CGS on issue subject to the Treasurer's Direction^(a)

	2013-14 \$b	2014-15 \$b	2015-16 \$b	2016-17 \$b
Face value - within-year peak(b)	320	370	420	460
Per cent of GDP(b)	20.3	22.7	24.6	25.7
<i>Month of peak(b)</i>	<i>Jun-14</i>	<i>Apr-15</i>	<i>Jun-16</i>	<i>Feb-17</i>
Face value - end of year	310	360	400	430
Per cent of GDP	19.7	22.1	23.4	24.0
Market value - end of year(c)	330	370	410	450
Per cent of GDP	20.9	22.7	24.0	25.2

(a) The face and market value of CGS published in this table are rounded to the nearest \$10 billion.

(b) The precise within-year timing of cash receipts and payments is not known. Projected peaks of CGS on issue are therefore subject to considerable uncertainty.

(c) The Treasurer's Direction applies only to the face value of CGS on issue. This table shows the equivalent market value of CGS that are subject to the Treasurer's Direction. These figures will differ from the estimates and projections published in Table B2: Australian Government general government sector balance sheet that refer to total CGS on issue.

Source: Australian Office of Financial Management.

The face value of CGS on issue subject to the Treasurer's Direction is reported weekly on the AOFM website.

The face value of CGS on issue subject to the Treasurer's Direction is expected to reach a within-year peak of around \$320 billion in 2013-14, an increase of around \$20 billion since the 2013 PEFO. Over the forward estimates, the face value of CGS on issue subject to the Treasurer's Direction is projected to rise to a within-year peak of around \$460 billion in 2016-17.

Drivers of the increase in CGS on issue since the 2013 PEFO

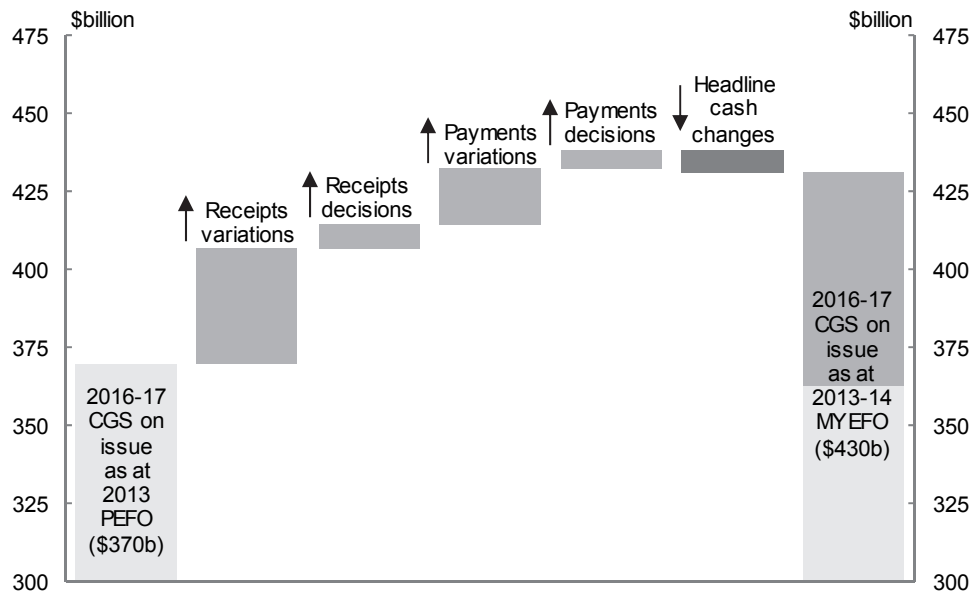
Chart 1 shows the change in the projected end-of-year face value of CGS on issue in 2016-17, between the 2013 PEFO (around \$370 billion) and the 2013-14 MYEFO (around \$430 billion).

The majority of the increase in the face value of CGS on issue since the 2013 PEFO can be attributed to a deterioration in the underlying cash balance as a result of parameter and other variations. There has been a smaller deterioration in the underlying cash balance as a result of policy decisions since the 2013 PEFO.

Further details on the changes to the underlying cash balance since the 2013 PEFO can be found in *Part 3: Fiscal Outlook*.

The Government's decision to close the Clean Energy Finance Corporation has reduced the headline cash deficit over the forward estimates, reducing required CGS on issue.

Chart 1: 2016-17 face value of CGS on issue subject to Treasurer's Direction — reconciliation from the 2013 PEFO to 2013-14 MYEFO



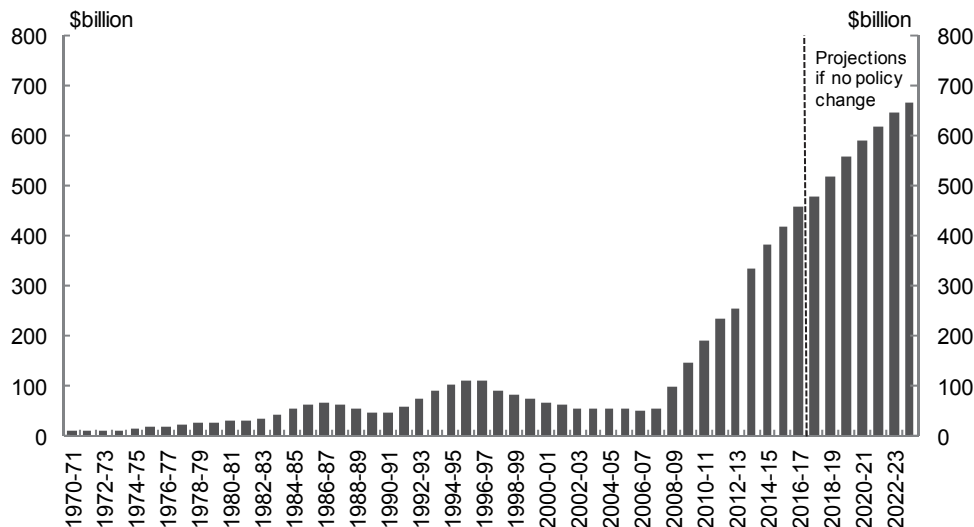
Note: End-of-year data. Projections of the face value of CGS on issue are published to the nearest \$10 billion. As such, numbers may not add due to rounding.

Source: 2013 PEFO and Treasury.

Commonwealth Government Securities on issue from 1970-71 to 2023-24

Chart 2 shows the historical total face value of CGS on issue (including securities excluded from the Treasurer's Direction) from 1970-71 to 2012-13, and shows projections to 2023-24.

Chart 2: Total face value of CGS on issue 1970-71 to 2023-24



Notes: This chart shows the total amount of CGS on issue including that held on behalf of the States and the Northern Territory, but excludes Commonwealth holdings. Data to 2016-17 are published in Appendix D: Historical Australian Government data.

Source: Australian Office of Financial Management and Treasury projections.

The total face value of CGS on issue has varied significantly over time. In level terms, the largest decrease since 1970-71 occurred between 1996-97 and 2006-07, when the face value of CGS on issue roughly halved from \$111.1 billion to \$53.3 billion.

The total face value of CGS on issue has increased rapidly from \$55.4 billion at the end of 2007-08 to \$257.4 billion by the end of 2012-13 and is projected to continue to increase substantially to 2023-24, reaching \$667 billion (around 26 per cent of GDP) if there is no policy change.

Drivers of the change in net debt since PEFO

Australian Government general government sector net debt is equal to the sum of deposits held, government securities (at market value), loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

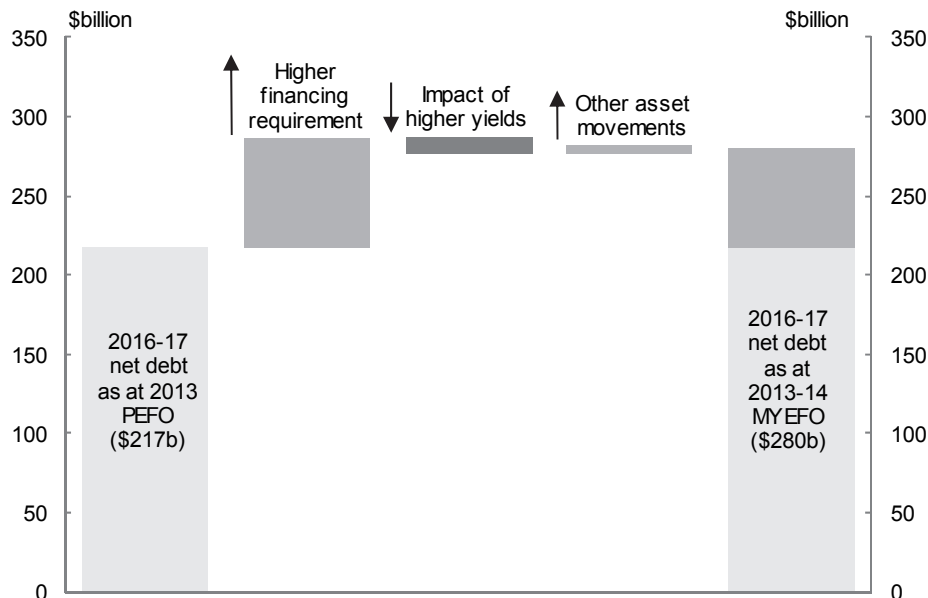
Table 2 shows the liabilities and assets included in the calculation of net debt, as reflected on the balance sheet over the forward estimates.

Table 2: Liabilities and assets included in net debt from 2013-14 to 2016-17

	Estimates		Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Liabilities included in net debt				
Deposits held	182	182	182	182
Government securities	335,066	382,357	419,027	458,125
Loans	12,708	12,163	11,985	11,957
Other borrowing	1,496	1,372	1,311	1,223
Total liabilities included in net debt	349,452	396,074	432,506	471,487
Assets included in net debt				
Cash and deposits	2,720	2,811	2,991	3,124
Advances paid	39,807	45,152	50,347	57,346
Investments, loans and placements	115,405	116,989	120,078	130,527
Total assets included in net debt	157,932	164,953	173,417	190,997
Net debt	191,520	231,122	259,089	280,490

Chart 3 shows the reconciliation of net debt in 2016-17 between the 2013 PEFO and the 2013-14 MYEFO. The projected level of net debt in 2016-17 is \$280.5 billion (15.7 per cent of GDP), which is \$63.2 billion higher than at the 2013 PEFO.

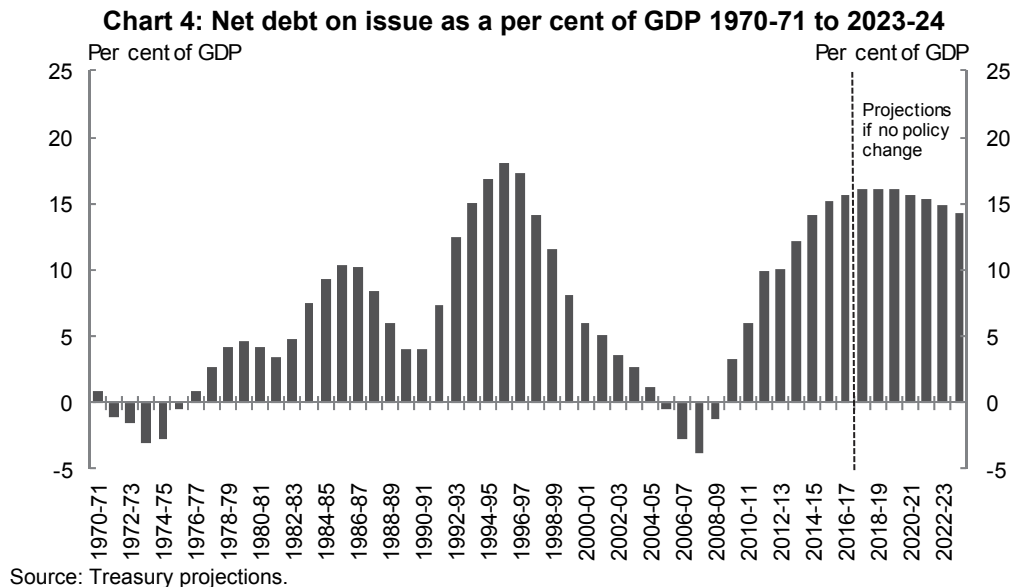
The main factor contributing to the increase in net debt is the higher expected issuance of CGS relative to the 2013 PEFO of around \$60 billion in face value terms as a result of the increased financing requirement. This is partially offset by revaluation of the projected CGS on issue of around \$9 billion owing to an increase in expected yields and hence a decrease in the market value of CGS.

Chart 3: 2016-17 net debt — reconciliation from the 2013 PEFO to 2013-14 MYEFO

Source: 2013 PEFO and Treasury.

Net debt from 1970-71 to 2023-24

Chart 4 shows net debt from 1970-71 and estimates and projections to 2023-24.



Breakdown of CGS currently on issue

Table 3 provides a breakdown of the CGS on issue by type of security as at 5 December 2013.

Table 3: Breakdown of CGS on issue by type of security

	On issue as at 5 December 2013	
	Face value \$m	Market value(a) \$m
Treasury Bonds	270,889	284,967
Treasury Indexed Bonds	17,001	21,320
Treasury Notes	9,000	8,962
Total CGS subject to Treasurer's Direction(b)	296,890	315,250
Other stock and securities	4,588	8,194
Total CGS on issue	301,477	323,444

(a) The Treasurer's Direction applies only to the face value of CGS on issue. This table shows the equivalent market value of CGS that are subject to the Treasurer's Direction.

(b) The same stock and securities that were excluded from the previous legislative limit are excluded from the current limit set by the Treasurer's Direction. These exclusions, outlined in subsection 51JA(2A) of the CIS Act, are:

- stock and securities issued in relation to money borrowed under the *Loan (Temporary Revenue Deficits) Act 1953*;
- stock and securities loaned by the Treasurer under a securities lending arrangement under section 5BA of the *Loans Securities Act 1919*, or held by or on behalf of the Treasurer for the purpose of such an arrangement;
- stock and securities invested under subsection 39(2) of the *Financial Management and Accountability Act 1997*; and
- stock and securities on issue as at the start of 13 July 2008, other than Treasury Fixed Coupon Bonds.

Source: Australian Office of Financial Management.

Treasury Bonds

Treasury Bonds are medium- to long-term debt securities that carry an annual rate of interest fixed over the life of the security, payable every six months. Bonds with these characteristics are often referred to as nominal bonds.

Table 4 lists Treasury Bonds on issue as at 5 December 2013, as well as the annual interest rate (the coupon) and the timing of coupon payments. As at 5 December 2013 there were 19 Treasury Bond lines on issue, with a weighted average term to maturity of around 5.7 years and the longest maturity extending to April 2033.

The April 2033 Treasury Bond, first issued on 19 November 2013, increased the length of the nominal yield curve by four years to over 19 years.

Table 4: Treasury Bonds on issue

Coupon Per cent	Maturity	On issue as at 5 December 2013 \$m	Timing of interest payments(a)	
5.50	15-Dec-13	7,949		15 Dec
6.25	15-Jun-14	13,299	Twice yearly	15 Jun 15 Dec
4.50	21-Oct-14	12,000	Twice yearly	21 Oct 21 Apr
6.25	15-Apr-15	14,798	Twice yearly	15 Apr 15 Oct
4.75	21-Oct-15	13,900	Twice yearly	21 Oct 21 Apr
4.75	15-Jun-16	21,200	Twice yearly	15 Jun 15 Dec
6.00	15-Feb-17	18,798	Twice yearly	15 Feb 15 Aug
4.25	21-Jul-17	15,700	Twice yearly	21 Jul 21 Jan
5.50	21-Jan-18	19,100	Twice yearly	21 Jan 21 Jul
5.25	15-Mar-19	17,348	Twice yearly	15 Mar 15 Sep
4.50	15-Apr-20	19,197	Twice yearly	15 Apr 15 Oct
5.75	15-May-21	18,700	Twice yearly	15 May 15 Nov
5.75	15-Jul-22	17,500	Twice yearly	15 Jul 15 Jan
5.50	21-Apr-23	19,800	Twice yearly	21 Apr 21 Oct
2.75	21-Apr-24	11,600	Twice yearly	21 Apr 21 Oct
3.25	21-Apr-25	7,400	Twice yearly	21 Apr 21 Oct
4.75	21-Apr-27	10,200	Twice yearly	21 Apr 21 Oct
3.25	21-Apr-29	6,500	Twice yearly	21 Apr 21 Oct
4.50	21-Apr-33	5,900	Twice yearly	21 Apr 21 Oct

(a) Where the timing of an interest payment falls on a non-business day, the payment will occur on the following business day.

Source: Australian Office of Financial Management.

Treasury Indexed Bonds

Treasury Indexed Bonds (TIBs) are medium- to long-term debt securities that have a capital value which is adjusted for movements in the CPI. Interest is paid quarterly, at a fixed rate, on the CPI-adjusted capital value. At maturity investors receive the CPI-adjusted capital value of the security.

Table 5 lists Treasury Indexed Bonds on issue as at 5 December 2013, as well as the annual interest rate (the coupon) and the timing of coupon payments. As at 5 December 2013 there were six TIB lines on issue, with a weighted average term to maturity of around 9.4 years and the longest maturity extending to August 2035.

The August 2035 Treasury Indexed Bond, first issued on 26 September 2013, increased the length of the real yield curve by five years to 22 years.

Table 5: Treasury Indexed Bonds (TIBs) on issue

Coupon Per cent	Maturity	On issue as at 5 December 2013 \$m	Timing of interest payments(a)				
4.00	20-Aug-15	3,196	Quarterly	20 Aug	20 Nov	20 Feb	20 May
4.00	20-Aug-20	4,773	Quarterly	20 Aug	20 Nov	20 Feb	20 May
1.25	21-Feb-22	3,000	Quarterly	21 Feb	21 May	21 Aug	21 Nov
3.00	20-Sep-25	5,450	Quarterly	20 Sep	20 Dec	20 Mar	20 June
2.50	20-Sep-30	3,050	Quarterly	20 Sep	20 Dec	20 Mar	20 June
2.00	21-Aug-35	2,100	Quarterly	21 Aug	21 Nov	21 Feb	21 May

(a) Where the timing of an interest payment falls on a non-business day, the payment will occur on the following business day.

Source: Australian Office of Financial Management.

Treasury Notes

Treasury Notes are short-term debt securities (generally less than six months) used primarily to meet within-year financing requirements resulting from differences in the timing of receipts and payments. The volume of Treasury Notes on issue will vary over the course of the year, depending on the size and profile of the within-year funding flows. Given this, there may be times when there will be no Treasury Notes on issue.

The face value of Treasury Notes on issue as at 5 December 2013 was \$9 billion. Table 6 lists the Treasury Notes on issue as at 5 December 2013. Treasury Notes do not pay a coupon, but they are issued at a discount – the face value received at maturity is higher than the price paid at issuance.

Table 6: Treasury Notes on issue

Maturity	On issue as at 5 December 2013 (\$m)	Timing of interest payment(a)	
24-Jan-14	5,500	At maturity	24 Jan
21-Feb-14	2,000	At maturity	21 Feb
7-Mar-14	1,500	At maturity	7 Mar

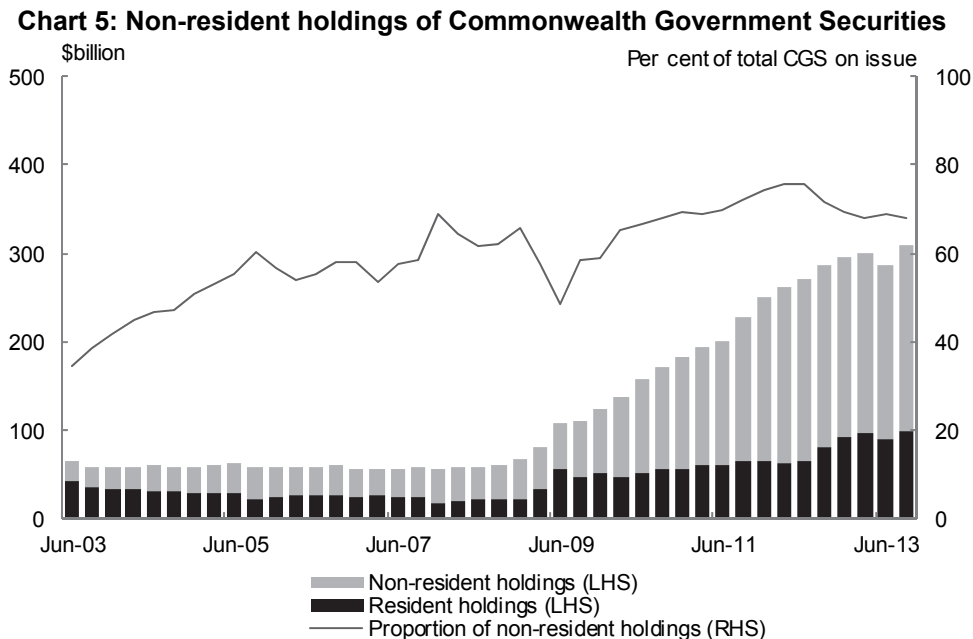
Source: Australian Office of Financial Management.

Non-resident holdings of CGS on issue

The ability to purchase CGS is not restricted to Australian residents. As at the September quarter 2013, 67.9 per cent of total CGS on issue was not held by residents of Australia (Chart 5).

The proportion of CGS held by non-residents remains around historically high levels, having risen significantly since 2009. This is likely to have been driven by the build-up of foreign currency reserves in some countries, and the increasing tendency for these reserves to be invested outside of the major currencies (such as the yen, the US dollar and the euro).

The historically high proportion of non-resident holdings of CGS may also have been driven by a relative rise in investor confidence in the Australian sovereign debt market, owing to the relative weakness of economies and public finances of many other developed countries. This is also contributing to demand for the Australian dollar.



Interest on CGS

The Government's interest expense over the forward estimates mostly relates to the cost of servicing the stock of CGS on issue. The Government's interest expense in 2013-14 is estimated to be \$14.9 billion at the 2013-14 MYEFO, of which \$13.5 billion relates to CGS on issue (see Note 10 in Appendix B for further details).

Estimates of the interest expense for CGS on issue consist of the cost of CGS already on issue and future CGS issuance. The cost of CGS already on issue uses the actual interest rates at the time of issuance. The cost of expected future issuance of CGS is based on the prevailing market rates across the yield curve at the time of an estimates update.

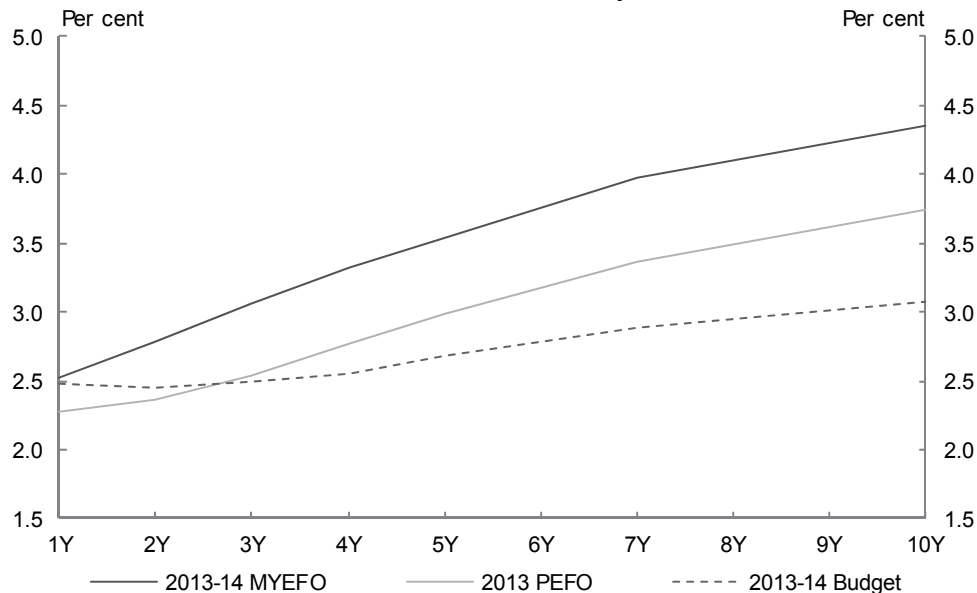
Table 7 shows the Government's estimated interest expense, interest income and net interest expense over the forward estimates.

Table 7: Interest expense, interest income and net interest expense

	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Interest expense	14,926	16,390	18,184	19,224
Per cent of GDP	0.9	1.0	1.1	1.1
Interest income	3,730	4,060	4,364	4,680
Per cent of GDP	0.2	0.2	0.3	0.3
Net interest expense	11,196	12,330	13,820	14,544
Per cent of GDP	0.7	0.8	0.8	0.8

The assumed market yields at the 2013-14 MYEFO result in a weighted average cost of borrowing of around 3.9 per cent for future issuance of Treasury Bonds in the forward estimates period, compared with around 3.5 per cent at the 2013 PEFO. Chart 6 shows the yield curve assumptions underpinning the 2013-14 Budget, the 2013 PEFO and the 2013-14 MYEFO.

Chart 6: Yield curve assumptions



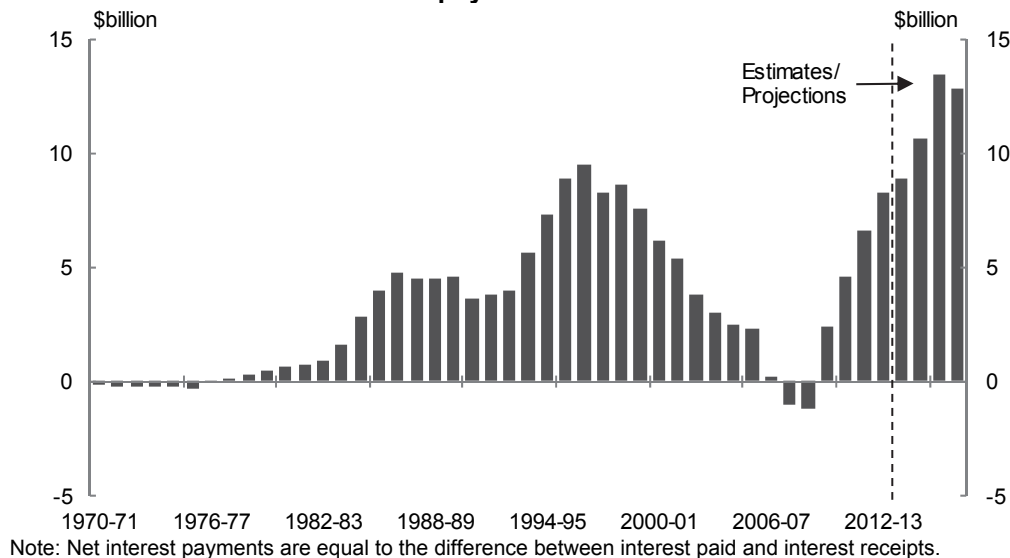
Source: Australian Office of Financial Management.

Table 8 shows the estimated interest expense on CGS on issue over the forward estimates. This interest expense increases over the forward estimates as a result of the projected rise in CGS on issue.

Table 8: Interest expense on CGS

	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Interest expense on CGS	13,455	14,954	16,741	18,027
Per cent of GDP	0.9	0.9	1.0	1.0

Chart 7 shows net interest payments from 1970-71 to 2016-17.

Chart 7: Net interest payments from 1970-71 to 2016-17

Climate spending

The Government's spending on climate change is shown on an aggregated basis in Table 9.

Table 9: Climate spending from 2013-14 to 2016-17

	2013-14	2014-15	2015-16	2016-17
	\$b	\$b	\$b	\$b
Climate spending(a)	5.55	1.40	0.95	1.00

(a) Spending in this table is on a headline cash balance basis; that is, payments and net cash flows from investments in financial assets for policy purposes, as well as estimated interest receipts associated with Clean Energy Finance Corporation investments.

In 2013-14, the primary drivers of climate spending are:

- the free permit buyback facility provided as part of the Jobs and Competitiveness Programme and the Energy Security Fund;
- funding for investment by the Clean Energy Finance Corporation;
- the Australian Renewable Energy Agency (ARENA), which supports research and development of renewable energy and related technologies; and
- spending across a range of programmes that formed part of the carbon tax package, including the Clean Technology Programmes, the Biodiversity Fund and the Coal Sector Jobs Package.

Part 3: Fiscal outlook

From 2014-15 onwards, the key drivers of climate spending are:

- the Direct Action Plan, primarily the Emissions Reduction Fund;
- the Australian Renewable Energy Agency;
- departmental funding for the Clean Energy Regulator; and
- previously committed expenditure in the Biodiversity Fund and the Clean Technology Programmes, noting these programmes will no longer be eligible for new applications beyond 2013-14.

The figures provided above relate to spending only, consistent with the requirements for the debt statement. However, for further context, it should be noted that carbon tax receipts from the sale of permits are estimated to be \$7.2 billion in 2013-14 and \$1.7 billion in 2014-15, based on the carbon tax discontinuing effective from 1 July 2014, consistent with government policy. There are also receipts from the effective carbon taxes on fuel and synthetic greenhouse gases.

Impact of climate spending on debt

Receipts and debt are not specifically allocated to particular spending programs. In this context, there are multiple approaches that could be taken to consider the extent to which spending on climate change has contributed to debt.

One approach is to assume that the proportion of climate spending being financed through new debt (as opposed to receipts) is equivalent to climate spending as a proportion of total spending. Table 10 shows the impact of climate change spending on debt using this approach.

Table 10: Impact on debt — climate spending as a proportion of total spending^{(a)(b)}

	2013-14	2014-15	2015-16	2016-17
Climate spending (per cent of total spending)	1.3	0.3	0.2	0.2
Change in face value of CGS from previous year (\$b)	53	50	40	40
Contribution to change in face value of CGS from climate spending (\$b)	0.70	0.16	0.09	0.09

(a) The calculation of spending in this table is on a headline cash balance basis; that is, payments and net cash flows from investments in financial assets for policy purposes, as well as estimated interest receipts associated with Clean Energy Finance Corporation investments.

(b) Calculations of the change in the face value of CGS on issue use data from 2013-14 onwards rounded to the nearest \$10 billion and are total CGS on issue.

Additional debt disclosures for the 2014-15 Budget

In the 2014-15 Budget, the Government will enhance disclosure around the proportion of the budget being allocated to capital purchases and recurrent expenditure. This will improve the transparency of budget papers, particularly in relation to funding critical infrastructure.

APPENDIX A: POLICY DECISIONS TAKEN SINCE THE 2013-14 BUDGET

Revenue Measures

Table 1: Revenue measures since the 2013-14 Budget^(a)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	Revenue measures since the 2013 Pre-Election Economic and Fiscal Outlook					
	ATTORNEY-GENERAL'S					
	<i>Australian Financial Security Authority</i>					
92	Personal insolvency fees — cost recovery arrangements	-	3.5	7.0	7.0	7.5
	Portfolio total	-	3.5	7.0	7.0	7.5
	EDUCATION					
	<i>Department of Education</i>					
129	Education grant programmes — reduced funding(b)	-	-	..	-0.1	-0.1
	Portfolio total	-	-	..	-0.1	-0.1
	ENVIRONMENT					
	<i>Clean Energy Regulator</i>					
93	Repeal of the Carbon Tax — forgone revenue from repeal of the Carbon Tax	-	-	-2,020.0	-4,230.0	-6,220.0
	<i>Department of the Environment</i>					
	Repeal of the Carbon Tax					
144	— abolishing other measures(b)	-	-	7.2	3.0	4.0
93	— forgone revenue from repeal of the Carbon Tax	-	-10.0	-50.0	-50.0	-90.0
	Portfolio total	-	-10.0	-2,062.8	-4,277.0	-6,306.0
	HEALTH					
	<i>Department of Health</i>					
158	Pharmaceutical Benefits Scheme — new and amended listings(b)	-	nfp	nfp	nfp	nfp
	Portfolio total	-	-	-	-	-
	IMMIGRATION AND BORDER PROTECTION					
	<i>Australian Customs and Border Protection Service</i>					
93	Repeal of the Carbon Tax — forgone revenue from repeal of the Carbon Tax	-	-	..	..	..

Appendix A: Policy decisions taken since the 2013-14 Budget

Table 1: Revenue measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	IMMIGRATION AND BORDER PROTECTION (continued)					
	<i>Department of Immigration and Border Protection</i>					
168	Reform of the Migration Zone for offshore workers — reversal(b)	-	-0.5	-0.5	-0.5	-0.5
	Portfolio total	-	-0.5	-0.5	-0.5	-0.5
	SOCIAL SERVICES					
	<i>Department of Social Services</i>					
162	2013-14 Humanitarian Programme(b)	-	-	..	..	..
129	Education grant programmes — reduced funding(b)	-	-	..	..	..
	Portfolio total	-	-	..	..	..
	TREASURY					
	<i>Australian Prudential Regulation Authority</i>					
96	Restoring integrity in the Australian tax system	-	-	-3.0	-0.3	-0.1
	<i>Australian Taxation Office</i>					
162	2013-14 Humanitarian Programme(b)	-	-11.5	-41.8	-77.3	-118.9
125	Free basic health care to all Australian Defence Force family members(b)	-	-	-	-	-
	Operation Slipper					
125	— Al Minhad Air Base — extension(b)	-	-3.4	-1.8	-	-
126	— Heron Remotely Piloted Aircraft — extension(b)	-	-0.3	-0.2	-	-
	Philanthropy					
94	— delaying the commencement of the <i>Charities Act 2013</i>	-	*	*	-	-
94	— updating the list of specifically listed deductible gift recipients	-	-	-0.3	-0.5	-0.5
	Repeal of the Carbon Tax					
142	— abolishing business compensation(b)	-	-	50.0	150.0	100.0

Appendix A: Policy decisions taken since the 2013-14 Budget

Table 1: Revenue measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	TREASURY (continued)					
	Repeal of the Carbon Tax					
144	– abolishing other measures(b)	-	-	-	-	-
93	– forgone revenue from repeal of the Carbon Tax	-	-	-50.0	-120.0	-180.0
	Repeal of the Minerals Resource Rent Tax					
94	– abolishing related tax and superannuation measures	-	-	1,200.0	2,130.0	2,365.0
95	– forgone revenue from repeal	-	-	-450.0	-1,150.0	-1,800.0
192	– Regional Infrastructure Fund and Regional Development Australia Fund — discontinue(b)	-	-	-	-	-
96	Restoring integrity in the Australian tax system	-	-95.0	-608.9	-1,176.6	-1,716.5
	<i>Clean Energy Finance Corporation</i>					
144	Repeal of the Carbon Tax — abolishing other measures(b)	-	0.1	-43.9	-131.3	-263.9
	<i>Department of the Treasury</i>					
143	Repeal of the Carbon Tax — abolishing energy market compensation(b)	-	-2.8	-8.4	-15.3	-17.8
	Portfolio total	-	-112.9	41.8	-391.4	-1,632.8
	Decisions taken but not yet announced	-	50.2	96.6	108.4	118.2
	Total impact of revenue measures since the 2013 Pre-Election Economic and Fiscal Outlook (c)	-	-69.6	-1,918.0	-4,553.6	-7,813.7
	Total impact of revenue measures reported in the 2013 Economic Statement and the 2013 Pre-Election Economic and Fiscal Outlook (c)	-	698.7	-5,465.8	3,145.0	4,209.6
	Total impact of all revenue measures since the 2013-14 Budget(c)	-	629.1	-7,383.8	-1,408.6	-3,604.1

* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

(a) A minus sign before an estimate indicates a reduction in revenue, no sign before an estimate indicates a gain in revenue.

(b) These measures can also be found in the expense measures summary table.

(c) Measures may not add due to rounding.

ATTORNEY-GENERAL'S

Personal insolvency fees — cost recovery arrangements

Revenue (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Financial Security Authority	-	3.5	7.0	7.0	7.5

The Government will increase personal insolvency fees to fully recover the costs of administering personal insolvencies. This measure will recover additional revenue of \$25.0 million over four years and will be implemented in accordance with the Government's cost recovery policy. The new fee structure will come into effect on 1 January 2014.

ENVIRONMENT

Repeal of the Carbon Tax — forgone revenue from repeal of the Carbon Tax

Revenue (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Customs and Border Protection Service	-	-
Australian Taxation Office	-	-	-50.0	-120.0	-180.0
Clean Energy Regulator	-	-	-2,020.0	-4,230.0	-6,220.0
Department of the Environment	-	-10.0	-50.0	-50.0	-90.0
Total — Revenue	-	-10.0	-2,120.0	-4,400.0	-6,490.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	-	100.0	250.0	350.0

The Government will abolish the carbon tax effective from 1 July 2014 at a cost to the Budget of \$13.7 billion over the forward estimates period. In underlying cash terms, the cost to the Budget is \$9.4 billion over the forward estimates period.

This includes:

- abolishing the carbon pricing mechanism, with liable entities no longer needing to surrender a carbon unit for every tonne of greenhouse gas they emit, at a cost of \$12.5 billion over the forward estimates period;
- abolishing the equivalent carbon tax applied to aviation fuels, which was implemented through increases in excise and excise-equivalent customs duty, at a cost of \$350.0 million over the forward estimates period;
- removing the equivalent carbon tax on the importation and production of synthetic greenhouse gases and providing a transitional provision to synthetic greenhouse gas importers for the period 1 April 2014 to 30 June 2014, at a cost of \$200.0 million over the forward estimates period; and
- abolishing the equivalent carbon tax applied to liquid and gaseous fuels through reductions in entitlements to fuel tax credits, at a cost of \$700.0 million over the forward estimates period.

This measure delivers on the Government's election commitment to repeal the carbon tax and associated measures.

Further information on the repeal of the carbon tax can be found in the joint press release of 15 October 2013 issued by the Prime Minister and the Minister for the Environment.

TREASURY

Philanthropy — delaying the commencement of the *Charities Act 2013*

Revenue (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Taxation Office	-	*	*	-	-

The Government will delay the commencement of the *Charities Act 2013* from 1 January 2014 to 1 September 2014. This measure is estimated to have a small but unquantifiable gain to revenue over the forward estimates period.

Philanthropy — updating the list of specifically listed deductible gift recipients

Revenue (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Taxation Office	-	-	-0.3	-0.5	-0.5

Since the 2013 Pre-Election Economic and Fiscal Outlook, Prince's Charities Australia has been approved as a deductible gift recipient (DGR).

Taxpayers may claim an income tax deduction for certain gifts of money or property to a DGR. This measure has an estimated cost to revenue of \$1.4 million over the forward estimates period.

Repeal of the Minerals Resource Rent Tax — abolishing related tax and superannuation measures

Revenue (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Taxation Office	-	-	1,200.0	2,130.0	2,365.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	-960.6	-937.9	-935.5	-922.2
<i>Related capital (\$m)</i>					
Australian Taxation Office	-	-	-	-1.5	-

The Government will repeal tax and superannuation measures associated with the minerals resource rent tax, providing a gain to the Budget of \$9.5 billion over the forward estimates period. In underlying cash terms, the gain to the Budget is \$8.4 billion over the forward estimates period.

These measures include:

- Abolishing the low income superannuation contribution expense measure, first announced in the 2010-11 Budget, for contributions made from 1 July 2013 providing savings of \$3.8 billion over the forward estimates period.

Appendix A: Policy decisions taken since the 2013-14 Budget

- Unwinding the increase in the small business instant asset write-off threshold from \$1,000 to \$5,000, first announced in the 2010-11 Budget, from 1 January 2014 providing a gain to revenue of \$2.3 billion over the forward estimates period. Unwinding the increase in the small business instant asset write-off threshold from \$5,000 to \$6,500 is reported separately in *Repeal of the Carbon Tax – abolishing business compensation*.
- Discontinuing the \$5,000 accelerated depreciation for small business motor vehicle purchases, first announced in the 2011-12 Budget, from 1 January 2014 providing a gain to revenue of \$450 million over the forward estimates period.
- Discontinuing the company loss carry-back, first announced in the 2012-13 Budget, from the start of the 2013-14 income year providing a gain to revenue of \$950 million over the forward estimates period.
- Not proceeding with the phase-down of interest withholding tax, first announced in the 2010-11 Budget, from 1 July 2014 providing a gain to revenue of \$405 million over the forward estimates period.
- Rephasing the superannuation guarantee increase from 9 per cent to 12 per cent, first announced in the 2010-11 Budget, so that it is maintained at 9.25 per cent until 30 June 2016, providing a gain to revenue of \$1.6 billion over the forward estimates period.
- Discontinuing the inclusion of geothermal exploration into a wider tax definition of exploration, first announced in the 2011-12 Budget, from 1 July 2014 providing a gain to revenue of \$10 million over the forward estimates period.

This measure delivers on the Government's election commitment to repeal the minerals resource rent tax and associated measures.

Repeal of the Minerals Resource Rent Tax — forgone revenue from repeal

Revenue (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Taxation Office	-	-	-450.0	-1,150.0	-1,800.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	-21.7	-19.1	-19.8	-21.3

The Government will repeal the minerals resource rent tax (MRRT) with effect from 1 July 2014. Mining companies in Australia will not accrue any further MRRT liabilities from this date but will continue to pay company tax and State royalties. The repeal of the MRRT will have a cost to the Budget of \$3.3 billion over the forward estimates period.

Appendix A: Policy decisions taken since the 2013-14 Budget

The MRRT was introduced on 1 July 2012 and applied at an effective rate of 22.5 per cent to mining profits from Australian iron ore and coal operations. The MRRT was a complex tax which imposed a significant regulatory and compliance burden on the iron ore and coal mining industries. The repeal of the MRRT has been estimated to save taxpayers \$10.5 million per annum in compliance costs.

This measure delivers on the Government's election commitment to repeal the minerals resource rent tax and associated measures.

Restoring integrity in the Australian tax system

Revenue (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Prudential Regulation Authority	-	-	-3.0	-0.3	-0.1
Australian Taxation Office	-	-95.0	-608.9	-1,176.6	-1,716.5
Total — Revenue	-	-95.0	-611.9	-1,176.9	-1,716.7
<i>Related expense (\$m)</i>					
<i>Department of Social Services</i>	-	-	20.9	37.2	51.8
<i>Department of Finance</i>	-	-0.5	-0.9	-	-
<i>Department of the Treasury</i>	-	-1.8	-101.9	-171.9	-241.9
<i>Australian Taxation Office</i>	-	-9.1	-10.6	-16.1	-17.1
Total — Expense	-	-11.5	-92.5	-150.8	-207.2
<i>Related capital (\$m)</i>					
<i>Department of Finance</i>	-	-0.2	-1.2	-	-
<i>Australian Taxation Office</i>	-	-1.1	-2.7	-	-
Total — Capital	-	-1.3	-3.8	-	-

The Government has addressed the backlog of 92 taxation and superannuation measures that were announced by former governments but not yet legislated. The Government will proceed with 34 measures as originally announced and will amend the Offshore Banking Unit measure, the section 25-90 deduction measure and the measure to strengthen integrity for refunds of overpaid GST. The cost to the Budget of these amendments and not proceeding with the remaining 55 measures is \$3.1 billion over the forward estimates period. In underlying cash terms, the cost to the Budget is \$2.9 billion over the forward estimates period.

Further information can be found in the joint press release by the Treasurer and Assistant Treasurer on 6 November 2013 and the Assistant Treasurer's press release on 14 December 2013.

Expense Measures

Table 2: Expense measures since the 2013-14 Budget^(a)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	Expense measures since the 2013 Pre-Election Economic and Fiscal Outlook					
	AGRICULTURE					
	<i>Department of Agriculture</i>					
115	Australian Animal Welfare Strategy — reduction of funding	-	-0.7	-0.4	-	-
115	Carbon Farming Futures — redirection	-	-4.7	-	-	-
115	Carbon Farming Initiative — Landcare Communication campaign — cessation	-	-1.0	-	-	-
	Extra assistance to support farmers					
116	— reallocation of concessional loan funding	-	nfp	-	-	-
117	— water-related infrastructure	-	-5.9	-	-	-
117	Food and Agriculture Organization of the United Nations — reduced funding	-	-0.5	-	-	-
118	Independent Inspector General of Animal Welfare and Live Animal Exports — cessation	-	-1.0	-1.0	-1.0	-1.0
118	Indonesia-Australia Red Meat and Cattle Partnership	-	0.9	2.8	2.8	1.3
143	Repeal of the Carbon Tax — abolishing land initiatives and unnecessary bureaucracies	-	-	-4.8	-6.0	-4.7
189	Repeal of the Minerals Resource Rent Tax — cessation of certain social security payments	-	-0.1	-	-	-
	Portfolio total	-	-12.9	-3.4	-4.2	-4.4
	ATTORNEY-GENERAL'S					
	<i>Attorney-General's Department</i>					
119	Australian Victims of Terrorism Overseas Payment	-	21.6	4.2	1.5	-
119	Legal Policy Reform and Advocacy Funding — redirection	-	-4.6	-6.5	-16.3	-15.7
121	Restoring Native Title Respondent Funding	-	0.6	1.1	0.6	-
121	Royal Commission into the Home Insulation Programme	-	12.2	-	-	-
122	Safer Suburbs Programme — Taxi Security Scheme	-	-0.2	-0.5	-	-

Appendix A: Policy decisions taken since the 2013-14 Budget

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	ATTORNEY-GENERAL'S (continued)					
122	Small business and primary producer emergency assistance — concessional interest rate loans	-	-	-	-	-
	<i>Australian Crime Commission</i>					
120	Operation Sovereign Borders — enhancing people smuggling intelligence gathering, disruption and joint policing	-	0.1	0.3	0.1	-
	<i>Australian Federal Police</i>					
120	Operation Sovereign Borders — enhancing people smuggling intelligence gathering, disruption and joint policing	-	10.1	18.0	8.7	-
	<i>Australian Human Rights Commission</i>					
120	Portrayal of senior Australians in the media — redirection of funding	-	-	-0.6	-0.4	-
	<i>Australian Security Intelligence Organisation</i>					
120	Operation Sovereign Borders — enhancing people smuggling intelligence gathering, disruption and joint policing	-	0.3	0.7	0.3	-
	<i>Family Court and Federal Circuit Court</i>					
168	Reform of Australia's Protection Status Determination System — reversal	-	-	-0.8	-0.8	-0.3
	<i>Federal Court of Australia</i>					
168	Reform of Australia's Protection Status Determination System — reversal	-	-	-0.4	-0.4	-0.2
	Portfolio total	-	40.2	15.4	-6.7	-16.2
	COMMUNICATIONS					
	<i>Department of Communications</i>					
123	Creative Australia — community based radio services — reduced funding	-	-1.3	-0.4	-0.4	-0.4
123	Digital Business Kits — reduced funding	-	-0.1	-0.2	-0.1	-0.1
123	Digital Productivity — Digital Communities — Digital Hubs, Local Government and Community Engagement — reduced funding	-	-0.1	-	-	-
124	New NBN-enabled business models and applications — reduced funding	-	-0.7	-0.6	-	-
	Portfolio total	-	-2.2	-1.2	-0.5	-0.5
	DEFENCE					
	<i>Department of Defence</i>					
149	Assistance to the Philippines — Typhoon Haiyan	-	-	-	-	-

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	DEFENCE (continued)					
125	Free basic health care to all Australian Defence Force family members	-	-	-	-	-
	Operation Slipper					
125	– Al Minhad Air Base — extension	-	66.5	-	-	-
126	– Heron Remotely Piloted Aircraft — extension	-	29.5	4.2	-	-
126	Operation Sovereign Borders — Operation Resolute — extension	-	31.6	-	-	-
	Portfolio total	-	127.5	4.2	-	-
	EDUCATION					
	<i>Australian Research Council</i>					
127	Australian Research Council — redirection	-	-15.8	-30.8	-28.7	-27.7
128	Australian Research Council Centres of Excellence — reduction in funding	-	-3.3	-3.3	-3.4	-
133	Type 1 Juvenile Diabetes — clinical research	-	7.0	7.0	7.0	7.0
	<i>Department of Education</i>					
162	2013-14 Humanitarian Programme	-	-1.3	-4.1	-6.5	-9.1
127	Australia-Indonesia Centre — establishment	-	0.8	2.5	2.5	1.8
128	Building Stronger Communities Fund — reversal	-	-104.5	-107.9	-132.9	-182.9
128	Department of Education — reduction in funding	-	-1.4	-0.9	-	-
129	Education grant programmes — reduced funding	-	-3.4	-7.1	-7.9	-8.2
129	Education Investment Fund regional priorities round — cessation	-	-15.3	-63.7	-108.5	-
129	Higher Education Reward Funding — reduction in funding	-	-2.5	-	-	-
130	InSITE grants — Initiatives Supporting Innovation in Teacher Education — reversal	-	-0.8	-1.9	-2.8	-2.6

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	EDUCATION (continued)					
	Students First					
130	– A fairer funding agreement for schools — Queensland, Western Australia and the Northern Territory	-	116.3	218.8	347.9	504.2
130	– A fairer funding agreement for schools — implementation funding for non-government representative bodies	-	-	-	-	-
131	– Australian Curriculum, Assessment and Reporting Authority — reduction in funding	-	-1.7	-6.2	-6.7	-5.4
131	– Flexible literacy learning for remote primary schools	-	4.0	6.0	6.0	6.0
132	– Independent Public Schools Fund — establishment	-	10.0	20.0	20.0	20.0
132	– Agriculture in Education	-	1.0	1.0	-	-
133	Trade Training Centres — cessation	-	-	-28.0	-88.9	-78.0
	Portfolio total	-	-10.9	1.5	-2.9	225.1
	EMPLOYMENT					
	<i>Department of Employment</i>					
162	2013-14 Humanitarian Programme	-	-4.3	-9.1	-9.0	-9.0
163	Addressing the Backlog and Reintroducing Temporary Protection Visas	-	1.7	-	-	-
134	Experience+ Job Bonus — cessation	-	-	-2.8	-2.8	-2.8
141	Green Army — establishment	-	..	-	-	-
135	Job Commitment Bonus — establishment	-	0.1	0.4	29.8	55.2
135	Mature Age Participation — job seeker assistance — cessation	-	-3.0	-7.7	-	-
136	Migrant Communities Employment Fund — cessation	-	-3.4	-3.2	-	-
137	Relocation Assistance to Take up a Job programme — establishment	-	..	3.7	4.2	3.7

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	EMPLOYMENT (continued)					
138	Seniors Employment Incentive Payment — establishment	-	0.3	18.4	60.1	59.2
138	Tasmanian forestry workers assistance project — cessation	-	-	-1.2	-1.2	-
139	Tasmanian Jobs programme — pilot	-	0.2	4.5	1.0	-
	<i>Office of the Fair Work Building Industry Inspectorate</i>					
134	Australian Building and Construction Commission — re-establishment	-	5.0	10.0	10.0	10.0
	<i>Office of the Fair Work Ombudsman</i>					
136	Registered Organisations Commission — establishment	-	-	-	-	-
	Portfolio total	-	-3.4	12.9	92.1	116.5
	ENVIRONMENT					
	<i>Clean Energy Regulator</i>					
141	Former Department of Climate Change and Energy Efficiency — reduction in funding	-	-0.4	-0.8	-0.8	-0.8
	Repeal of the Carbon Tax					
142	— abolishing business compensation	-	-	-679.2	-1,408.6	-2,192.4
143	— abolishing energy market compensation	-	-	-513.8	-	-
	<i>Climate Change Authority</i>					
143	Repeal of the Carbon Tax — abolishing land initiatives and unnecessary bureaucracies	-	-2.3	-8.7	-8.6	-8.6
	<i>Department of the Environment</i>					
140	Biodiversity Fund — reduced funding	-	-0.2	-0.3	-0.7	-0.3
140	Caring for our Country — redirection of funding	-	-6.7	-	-	-
141	Former Department of Climate Change and Energy Efficiency — reduction in funding	-	-3.7	-6.9	-6.9	-6.9
141	Green Army — establishment	-	1.0	50.7	98.5	147.3

Appendix A: Policy decisions taken since the 2013-14 Budget

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	ENVIRONMENT (continued)					
	Repeal of the Carbon Tax					
143	– abolishing land initiatives and unnecessary bureaucracies	-	-16.6	-24.7	-19.9	-18.8
144	– abolishing other measures	-	-0.6	-6.1	-11.1	-11.7
145	Water — rephase four years of spending over six years	-	-12.4	-18.7	-29.9	-29.1
	Portfolio total	-	-41.9	-1,208.6	-1,388.1	-2,121.4
	FINANCE					
	<i>Department of Finance</i>					
147	Funding for pre-existing measures affecting the public sector	-	nfp	nfp	-	-
141	Green Army — establishment	-	0.1	-	-	-
147	National Commission of Audit	-	1.0	-	-	-
147	Payments to Animals Australia Incorporated — discontinue	-	..	..	..	..
96	Restoring integrity in the Australian tax system(b)	-	-0.5	-0.9	-	-
148	Revert to Pre-2010 Election Non-Government Personal Staffing Ratios	-	-0.8	-1.7	-1.7	-1.7
121	Royal Commission into the Home Insulation Programme	-	1.0	-	-	-
	Portfolio total	-	0.7	-2.7	-1.8	-1.8
	FOREIGN AFFAIRS AND TRADE					
	<i>Australian Secret Intelligence Service</i>					
120	Operation Sovereign Borders — enhancing people smuggling intelligence gathering, disruption and joint policing	-	6.6	10.6	6.5	-
	<i>Australian Trade Commission</i>					
149	Australian Manufacturing Export Base — Export Market Development Grants — additional funding	-	12.5	12.5	12.5	12.5

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	FOREIGN AFFAIRS AND TRADE (continued)					
150	Refocus the Tourism Industry Regional Development Fund	-	-	-	-	-
	<i>Department of Foreign Affairs and Trade</i>					
149	Assistance to the Philippines — Typhoon Haiyan	-	-	-	-	-
150	Discontinue the establishment of Australia's diplomatic post — Senegal	-	-1.4	-1.3	-3.4	-2.9
141	Former Department of Climate Change and Energy Efficiency — reduction in funding	-	-0.6	-1.2	-1.2	-1.2
150	Global Fund to fight AIDS, Tuberculosis and Malaria	-	-	-	-	-
118	Indonesia-Australia Red Meat and Cattle Partnership	-	-	-	-	-
151	The New Colombo Plan	-	5.8	11.6	19.7	20.1
	Portfolio total	-	22.9	32.3	34.1	28.4
	HEALTH					
	<i>Department of Health</i>					
162	2013-14 Humanitarian Programme	-	-9.2	-22.8	-33.7	-45.7
163	Addressing the Backlog and Reintroducing Temporary Protection Visas	-	0.7	-	-	-
152	Albury-Wodonga cardiac catheterisation laboratory	-	-	-	-	-
152	Ballina Hospital — upgrades	-	-	-	-	-
152	Bear Cottage — children's palliative care	-	2.0	-	-	-
153	Cairns Mental Health Carers Support Hub	-	-	-	-	-
153	Chemotherapy services — continuation	-	28.0	54.2	-	-
153	Commonwealth Medical Internships — additional funding	-	6.0	11.0	11.0	12.0

Appendix A: Policy decisions taken since the 2013-14 Budget

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	HEALTH (continued)					
154	Dental Reform — communications	-	-1.7	-	-	-
154	Donation to Western Australian Children's Health Telethon	-	-	-	-	-
154	Healthier Communities — Priority Infrastructure Programme	-	-8.0	-19.0	-	-
155	Heffron Park upgrade — contribution reversal	-	-11.2	-4.8	-	-
155	Hummingbird House — support for children's hospice	-	0.8	0.8	0.8	0.8
155	Integrated Cancer Care Centre Victoria — Peter's Project	-	-	-	-	-
156	Karratha Country Club — Grassing the Greens — contribution reversal	-	-0.4	..	-	-
156	Maintaining the Voluntary Dental Graduate Year Programme	-	-12.3	-16.0	-4.9	-7.6
156	Meakin Park Junior Sporting Association — facilities upgrade reversal	-	-0.5	-0.1	-	-
157	Medicare Benefits Schedule — new and amended listings	-	1.7	3.9	4.7	5.2
157	Palmerston Hospital Pharmaceutical Benefits Scheme	-	-	-	-	-
158	– new and amended listings	-	28.0	20.2	33.8	40.8
159	– price amendments	-	0.8	1.5	1.5	1.6
159	Priority Health Initiatives	-	-23.8	-106.8	-83.3	-51.6
160	Public Hospital System — additional funding	-	-	-	-	-
160	Sporting Communities Initiative — reversal	-	-0.8	-16.3	-	-

Appendix A: Policy decisions taken since the 2013-14 Budget

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	HEALTH (continued)					
160	Thebarton Oval Redevelopment Project — contribution reversal	-	-4.6	-2.0	-	-
161	Uncommitted Health Portfolio Funding — redirection of funding	-	-13.2	-7.5	-6.7	-6.9
161	Youth e-mental health platform	-	2.5	1.5	1.0	-
	Portfolio total	-	-15.2	-102.1	-75.9	-51.5
	HUMAN SERVICES					
	<i>Department of Human Services</i>					
162	2013-14 Humanitarian Programme	-	-3.6	-6.9	-9.1	-12.1
163	Addressing the Backlog and Reintroducing Temporary Protection Visas	-	4.1	-	-	-
119	Australian Victims of Terrorism Overseas Payment	-	2.8	0.3	0.2	..
141	Green Army — establishment	-	4.4	..	-1.0	-1.6
135	Job Commitment Bonus — establishment	-	1.2	4.0	2.0	2.5
157	Medicare Benefits Schedule — new and amended listings	-	..	..	..	..
189	Paid Parental Leave — removing the mandatory obligation for employers to administer payments	-	-1.3	-0.2	-0.2	-0.3
158	Pharmaceutical Benefits Scheme — new and amended listings	-	0.5	0.3	0.5	0.7
192	Reducing superannuation compliance costs for small business	-	-1.2	-6.1	-6.2	-6.2
137	Relocation Assistance to Take up a Job programme — establishment	-	0.6	..	..	..
189	Repeal of the Minerals Resource Rent Tax — cessation of certain social security payments	-	7.6	-3.0	-3.6	-5.0
	Portfolio total	-	15.1	-11.5	-17.5	-21.8

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	IMMIGRATION AND BORDER PROTECTION					
	<i>Australian Customs and Border Protection Service</i>					
164	Donation of Bay Class vessels	-	0.1	0.9	0.2	0.1
	Operation Sovereign Borders					
166	– community engagement and strategic communications campaigns	-	8.1	8.9	2.5	0.5
167	– strengthening response capability for illegal maritime arrivals	-	12.3	57.9	5.5	5.5
169	Tackling Crime — increased cargo and mail screening at the border	-	5.2	21.3	24.2	23.6
	<i>Department of Immigration and Border Protection</i>					
162	2013-14 Humanitarian Programme	-	0.4	0.4	0.4	0.4
163	Addressing the Backlog and Reintroducing Temporary Protection Visas	-	202.0	319.8	-43.1	-7.2
164	Enhancing Border Controls and Improving Identity Management	-	18.3	9.4	8.8	-
164	Immigration Detention Network — short-term onshore contingency — reversal	-	-55.3	-5.1	-	-
165	Mutual Obligations Arrangements — Phase One	-	-	-	-	-
165	Offshore Processing for Illegal Maritime Arrivals	-	405.9	1,007.0	490.3	-236.2
167	Operation Sovereign Borders — joint agency taskforce	-	2.1	3.5	3.4	-
168	Reform of Australia's Protection Status Determination System — reversal	-	-0.5	-1.3	-5.0	-5.6
168	Reform of the Migration Zone for offshore workers — reversal	-	-1.7	-0.2	-0.2	-0.2
	<i>Migration Review Tribunal and Refugee Review Tribunal</i>					
168	Reform of Australia's Protection Status Determination System — reversal	-	-	0.8	0.8	0.8
	Portfolio total	-	596.9	1,423.3	487.8	-218.3

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	INDUSTRY					
	<i>Australian Renewable Energy Agency</i>					
170	Australian Renewable Energy Agency — redirection of funding	-	-40.0	-	-	-
144	Repeal of the Carbon Tax — abolishing other measures	-	-	-172.3	-170.0	-92.6
	<i>Department of Industry</i>					
162	2013-14 Humanitarian Programme	-	-12.9	-32.8	-38.8	-39.6
170	Automotive Transformation Scheme — reduction in funding	-	-	-100.0	-175.0	-150.0
170	Buy Australian at Home and Abroad — reduction in funding	-	-0.3	-0.3	-	-
171	Carbon Capture and Storage Flagships — reduction in funding	-	-45.9	-24.9	-112.4	-72.7
171	Clean Technology programmes — reduction in funding	-	-34.0	-	-	-
171	Connecting Renewables — Connecting to the Grid — suspension	-	-25.0	-50.0	-55.0	-55.0
141	Former Department of Climate Change and Energy Efficiency — reduction in funding	-	-1.0	-0.7	-0.7	-0.7
172	Industry Innovation Precincts programme — reduction in funding	-	-4.9	-7.8	-8.3	-5.0
178	Latrobe Valley economic diversification — reduction	-	-5.0	-0.5	-	-
172	Low Carbon Communities — redirection of funding	-	-6.7	-	-	-
172	National CO2 Infrastructure Plan — suspension	-	-15.0	-5.7	-	-
	National Workforce Development Fund					
173	— community services workforce assistance — redirection of funding	-	-15.3	-15.3	-	-
173	— enhancing high-technology manufacturing — redirection of funding	-	-17.8	-17.8	-	-
	Repeal of the Carbon Tax					
142	— abolishing business compensation	-	-	-254.8	-270.4	-207.3

Appendix A: Policy decisions taken since the 2013-14 Budget

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	INDUSTRY (continued)					
	Repeal of the Carbon Tax					
144	– abolishing other measures	-	-	-23.1	-13.3	-12.9
173	Resources, Energy and Tourism Counsellor in New Delhi — cessation	-	-	-0.7	-0.7	-0.9
	Portfolio total	-	-223.8	-706.8	-844.6	-636.8
	INFRASTRUCTURE AND REGIONAL DEVELOPMENT					
	<i>Department of Infrastructure and Regional Development</i>					
	AusLink Programme					
174	– National Land Transport Projects	-	-19.7	458.8	65.0	20.0
176	– Reinstated National Land Transport Projects	-	-	-	-	-
177	Aviation Safety Regulation Review	-	1.0	-	-	-
177	Community Development Grants programme — establishment	-	22.0	160.0	140.0	20.0
177	Community Infrastructure Grants — cessation	-	-27.9	-17.7	-	-
178	Keys2Drive — extension	-	2.0	4.0	4.0	-
178	Latrobe Valley economic diversification — reduction	-	2.0	3.7	-0.2	-3.9
179	Lord Howe Island aerodrome improvement works — reversal	-	-1.0	-3.0	-	-
179	Payment scheme for Airservices Australia en-route charges	-	0.5	1.0	1.0	1.0
179	Regional and Rural Research and Development Grants — cessation	-	-0.2	-0.2	-0.2	-0.2
180	Regional development projects in Northern Australia — reversal	-	-8.5	-13.7	-9.0	-2.0
192	Repeal of the Minerals Resource Rent Tax — Regional Infrastructure Fund and Regional Development Australia Fund — discontinue	-	-143.1	-229.2	-75.4	-32.8
	Portfolio total	-	-172.8	363.7	125.2	2.0

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	PARLIAMENT					
	<i>Department of Parliamentary Services</i>					
181	Department of Parliamentary Services — additional operating funding	-	5.5	-	-	-
	Portfolio total	-	5.5	-	-	-
	PRIME MINISTER AND CABINET					
	<i>Department of the Prime Minister and Cabinet</i>					
162	2013-14 Humanitarian Programme	-	-0.1	-0.4	-0.7	-0.7
182	Better employment outcomes for Indigenous Australians	-	20.0	25.0	-	-
182	Community Cabinet — discontinue	-	-3.2	-3.3	-3.3	-3.3
183	Coordinator-General for Remote Indigenous Services — cessation	-	-	-2.4	-2.4	-2.4
183	Economic Competitiveness Fund — discontinue	-	-51.6	-30.0	-30.0	-30.0
183	Empowered Communities — design phase	-	-	-	-	-
184	Establishment and support of the Prime Minister's Indigenous Advisory Council	-	0.3	0.3	0.3	0.3
137	Relocation Assistance to Take up a Job programme — establishment	-	-	0.1	0.1	0.1
184	Remote school attendance strategy	-	-	-	-	-
185	Re-opening access to the Indigenous Employment Programme in remote areas	-	-	-	-	-
144	Repeal of the Carbon Tax — abolishing other measures	-	-	-14.5	-11.9	-
	Portfolio total	-	-34.7	-25.3	-47.9	-36.1
	SOCIAL SERVICES					
	<i>Department of Social Services</i>					
162	2013-14 Humanitarian Programme	-	-35.6	-140.9	-231.7	-321.0
163	Addressing the Backlog and Reintroducing Temporary Protection Visas	-	11.5	-	-	-

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	SOCIAL SERVICES (continued)					
186	Aged Care Service Improvement and Healthy Ageing Grants Flexible Fund — redirection of funding	-	-	-10.0	-10.0	-
186	Building Better Regional Cities — redirection of funding	-	-1.2	-	-	-
186	Building Multicultural Communities Programme — cessation	-	-11.5	-	-	-
187	Cessation of the trial of mandatory pre-commitment technology in the Australian Capital Territory	-	-21.6	-22.0	-	-
187	Community Investment Programme — redirection of funding	-	-0.1	-5.9	-3.2	-3.2
154	Donation to Western Australian Children's Health Telethon	-	-	-	-	-
129	Education grant programmes — reduced funding	-	-0.3	-0.6	-0.8	-0.8
187	Family and Parental Payments — extend period for receiving payments overseas	-	-	0.4	0.5	0.5
188	Financial Management Programme — redirection of funding	-	-3.6	-1.9	-0.7	-
141	Green Army — establishment	-	0.3	-6.7	-13.8	-21.2
188	Insight Education Centre for the Blind and Vision Impaired — contribution	-	-	-	-	-
188	National Gambling Regulator — cessation	*	*	*	*	*
189	Paid Parental Leave — removing the mandatory obligation for employers to administer payments	-	-	-	-	-
137	Relocation Assistance to Take up a Job programme — establishment	-	-	-4.4	-13.5	-19.0
144	Repeal of the Carbon Tax — abolishing other measures	-	-	-9.0	-	-
189	Repeal of the Minerals Resource Rent Tax — cessation of certain social security payments	-	-1,354.6	-1,634.0	-1,646.3	-1,666.5
96	Restoring integrity in the Australian tax system(b)	-	-	20.9	37.2	51.8

Appendix A: Policy decisions taken since the 2013-14 Budget

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	SOCIAL SERVICES (continued)					
139	Tasmanian Jobs programme — pilot	-	-	0.9	0.2	-
190	White Ribbon Campaign — contribution	-	-	-	-	-
	Portfolio total	-	-1,416.7	-1,813.4	-1,882.2	-1,979.4
	TREASURY					
	<i>Australian Competition and Consumer Commission</i>					
144	Repeal of the Carbon Tax — abolishing other measures	-	2.0	6.0	2.0	-
	<i>Australian Securities and Investments Commission</i>					
144	Repeal of the Carbon Tax — abolishing other measures	-	-	-0.7	-	-
	<i>Australian Taxation Office</i>					
162	2013-14 Humanitarian Programme	-	-	-	-	-
192	Reducing superannuation compliance costs for small business	-	1.2	6.1	6.2	6.2
	Repeal of the Carbon Tax					
143	– abolishing land initiatives and unnecessary bureaucracies	-	-	-20.0	-	-
144	– abolishing other measures	-	-	-2.3	-	-
93	– forgone revenue from repeal of the Carbon Tax(b)	-	-	100.0	250.0	350.0
	Repeal of the Minerals Resource Rent Tax					
94	– abolishing related tax and superannuation measures(b)	-	-960.6	-937.9	-935.5	-922.2
95	– forgone revenue from repeal(b)	-	-21.7	-19.1	-19.8	-21.3
193	Repeal the tax bonus for working Australians	-	-	-	-	-
96	Restoring integrity in the Australian tax system(b)	-	-9.1	-10.6	-16.1	-17.1

Appendix A: Policy decisions taken since the 2013-14 Budget

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	TREASURY (continued)					
194	Simplified indexation of the private health insurance Government contribution	-	0.9	0.9	0.7	0.5
194	Superannuation advertising savings	-	-1.0	-0.5	-0.5	-
	<i>Clean Energy Finance Corporation</i>					
144	Repeal of the Carbon Tax — abolishing other measures	-	-177.2	-320.5	-322.4	-323.9
	<i>Department of the Treasury</i>					
162	2013-14 Humanitarian Programme	-	-9.2	-28.1	-49.7	-73.2
152	Albury-Wodonga cardiac catheterisation laboratory	-	5.0	-	-	-
	AusLink Programme					
174	– National Land Transport Projects	-	1,072.5	1,554.1	1,755.3	-110.6
176	– Reinstated National Land Transport Projects	-	10.0	144.0	386.8	244.9
152	Ballina Hospital — upgrades	-	4.5	-	-	-
117	Extra assistance to support farmers — water-related infrastructure	-	10.1	-	-	-
191	Financial System Inquiry	-	-	-	-	-
155	Integrated Cancer Care Centre Victoria — Peter's Project	-	10.0	-	-	-
191	National Insurance Affordability Initiative — reduction	-	-5.8	-4.4	-	-
157	Palmerston Hospital	-	-	20.0	20.0	-
192	Priority consumer focused superannuation activities	-	-1.0	-	-	-
160	Public Hospital System — additional funding	-	66.3	-	-	-
	Repeal of the Carbon Tax					
143	– abolishing energy market compensation	-	-1.5	-1.9	-1.9	-

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	TREASURY (continued)					
	Repeal of the Carbon Tax					
143	– abolishing land initiatives and unnecessary bureaucracies	-	-	-	-	-
192	– Regional Infrastructure Fund and Regional Development Australia Fund — discontinue	-	-183.7	-757.7	-546.2	-713.9
96	Restoring integrity in the Australian tax system(b)	-	-1.8	-101.9	-171.9	-241.9
193	Review of competition laws and policy	-	1.0	1.4	-	-
194	Strengthening the Reserve Bank Reserve Fund	-	8,800.0	-	-	-
133	Trade Training Centres — cessation	-	-	-	-22.4	-95.5
145	Water — rephase four years of spending over six years	-	-10.0	-	-	-
	<i>Productivity Commission</i>					
143	Repeal of the Carbon Tax — abolishing land initiatives and unnecessary bureaucracies	-	-3.6	-4.6	-	-
	Portfolio total	-	8,597.2	-377.7	334.6	-1,918.0
	VETERANS' AFFAIRS					
	<i>Department of Veterans' Affairs</i>					
195	ANZAC Centenary Local Grants programme — additional funding	-	3.8	-	-	-
195	Anzac Centenary Programme 2014-18 — Anzac Interpretive Centre Albany — additional funding	-	1.0	-	-	-
195	Building Excellence in Support and Training — restore funding	-	-	1.0	1.0	1.0
157	Medicare Benefits Schedule — new and amended listings	-	..	0.1	0.1	0.1
	Pharmaceutical Benefits Scheme					
158	– new and amended listings	-	0.3	-0.3	-0.1	..
159	– price amendments	-	..	..	..	..

Appendix A: Policy decisions taken since the 2013-14 Budget

Table 2: Expense measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	VETERANS' AFFAIRS (continued)					
189	Repeal of the Minerals Resource Rent Tax — cessation of certain social security payments	-	-0.1	-0.2	-0.2	-0.2
196	Saluting Their Service programme — additional funding	-	-	-	-	-
196	Training and Information Programme — additional funding	-	-	-	-	-
	Portfolio total	-	5.0	0.6	0.8	0.9
	Decisions taken but not yet announced	-	233.4	402.3	181.6	163.3
	Depreciation expense	-	0.2	1.0	2.5	2.5
	Total impact of expense measures since the 2013 Pre-Election Economic and Fiscal Outlook(c)	-	7,710.2	-1,995.7	-3,013.5	-6,467.4
	Total impact of expense measures reported in the 2013 Economic Statement and the 2013 Pre-Election Economic and Fiscal Outlook(c)	367.7	1,133.9	-1,628.0	-1,564.6	-2,303.4
	Total impact of all expense measures since the 2013-14 Budget(c)	367.7	8,844.1	-3,623.7	-4,578.1	-8,770.8

* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

(a) A minus sign before an estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

(b) These measures can also be found in the revenue measures summary table.

(c) Measures may not add due to rounding.

AGRICULTURE

Australian Animal Welfare Strategy — reduction of funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Agriculture	-	-0.7	-0.4	-	-

The Government will achieve savings of \$1.1 million over two years by reducing funding for the *Australian Animal Welfare Strategy* programme.

The Government will retain \$0.8 million over two years in the programme to support the Government's commitment to improving animal welfare in the export supply chain.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Carbon Farming Futures — redirection

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Agriculture	-	-4.7	-	-	-

The Government will achieve savings of \$4.7 million by redirecting funding from the *Carbon Farming Futures* programme. These savings are in addition to the abolition of the *Carbon Farming Futures* programme from 2014-15 as part of the repeal of the carbon tax.

The Government will continue to support all projects already approved under the programme.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

See also the related expense measure titled *Extra assistance to support farmers-water-related infrastructure*.

Carbon Farming Initiative — Landcare Communication campaign — cessation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Agriculture	-	-1.0	-	-	-

The Government will achieve savings of \$1.0 million by ceasing funding for the *Carbon Farming Initiative – Landcare Communication* campaign. The programme was due to terminate on 30 June 2014.

Appendix A: Policy decisions taken since the 2013-14 Budget

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

This measure implements the savings announced in the Government's pre-election costings document.

Extra assistance to support farmers — reallocation of concessional loan funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Agriculture	-	nfp	-	-	-

The Government will reallocate the funding available to state governments and the Northern Territory Government for the concessional loan element of the *Farm Finance* package announced in the 2013-14 Budget. The total funding available for the loans will remain unchanged.

The *Concessional Loan* programme originally made available up to \$30.0 million per annum for two years to each state and the Northern Territory for the provision of concessional loans to eligible farmers. The reallocation means that Queensland farmers will be able to access a pool of concessional loan funding of up to \$50.0 million in 2013-14 and \$30.0 million in 2014-15, while New South Wales and Victorian farmers will have access to a loan funding pool of up to \$40.0 million in 2013-14 and \$30.0 million in 2014-15. South Australian and Western Australian farmers will have access to a loan funding pool of up to \$25.0 million in both years and Northern Territory and Tasmanian farmers will have access to a loan funding pool of up to \$15.0 million in both years. The reallocation will also create a reserve fund of \$40.0 million in 2014-15 that will be available to respond to emerging issues.

The reallocation aligns funding more closely with the number of farm businesses in each jurisdiction.

The Government will also increase the maximum loan amount available to Queensland farm businesses from \$650,000 to \$1.0 million, and will provide additional funding for administration costs. The expenditure for these costs is not for publication due to ongoing negotiations with relevant state governments.

Further information can be found in the press release of 6 November 2013 issued by the Minister for Agriculture.

Appendix A: Policy decisions taken since the 2013-14 Budget

Extra assistance to support farmers — water-related infrastructure

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	10.1	-	-	-
Department of Agriculture	-	-5.9	-	-	-
Total — Expense	-	4.2	-	-	-

The Government will provide \$10.1 million to assist farm businesses in Queensland and New South Wales with installing water-related infrastructure. Funding will be provided to the Queensland Government to supplement the state's existing *Emergency Water Infrastructure Rebate* and to the New South Wales Government if it establishes a similar programme.

For Queensland, the additional funding will build on the existing programme and increase the rebate available from 50 per cent to 75 per cent as well as increase the maximum amount payable by \$20,000.

The cost of this measure will be partially met by redirecting \$4.7 million from the *Carbon Farming Futures* programme, with the remainder to come from within the existing resources of *Caring for our Country*.

See also the related savings measure titled *Carbon Farming Futures – redirection*.

Further information can be found in the press release of 6 November 2013 issued by the Minister for Agriculture.

Food and Agriculture Organization of the United Nations — reduced funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Agriculture	-	-0.5	-	-	-

The Government will achieve savings of \$0.5 million by a reduction in funding to the Food and Agriculture Organization of the United Nations (FAO) for ad-hoc grants.

Funding for Australia's membership to the FAO is not affected by this measure.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Appendix A: Policy decisions taken since the 2013-14 Budget

Independent Inspector General of Animal Welfare and Live Animal Exports — cessation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Agriculture	-	-1.0	-1.0	-1.0	-1.0

The Government will achieve savings of \$3.9 million over four years by not proceeding with funding for the *Independent Inspector General of Animal Welfare and Live Animal Exports – establishment* measure, announced in the *2013 Economic Statement*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

This measure delivers on the Government's election commitment.

Indonesia-Australia Red Meat and Cattle Partnership

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Agriculture	-	0.9	2.8	2.8	1.3
Department of Foreign Affairs and Trade	-	-	-	-	-
Total — Expense	-	0.9	2.8	2.8	1.3

The Government will provide \$60.0 million over 10 years to create the Indonesia-Australia Red Meat and Cattle Partnership (the Partnership). The Partnership will provide a mechanism for government and industry in Indonesia and Australia to increase agricultural cooperation, improve long-term trade and boost Australian investment in Indonesia's red meat and cattle sector. The Partnership will focus on business and investment cooperation.

The Government will vary the *Agricultural Cooperation and Investment in Indonesia – additional funding* measure originally reported as 'not for publication' in the *2013 Economic Statement*.

Funding for this measure includes \$50.0 million for eligible official development assistance activities to be offset from within existing resources of the Department of Foreign Affairs and Trade and \$10.0 million which will be provided through the Department of Agriculture and offset from the Carbon Farming Futures – return of unallocated funds measure originally reported in the *2013 Economic Statement*.

ATTORNEY-GENERAL'S

Australian Victims of Terrorism Overseas Payment

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Attorney-General's Department	-	21.6	4.2	1.5	-
Department of Human Services	-	2.8	0.3	0.2	..
Total — Expense	-	24.3	4.5	1.6	..

The Government will provide \$30.5 million over four years to people who were harmed as a result of declared terrorist acts since 10 September 2001 and to the close family members of a person who died in these terrorist acts. Eligible individuals can claim financial assistance up to a maximum of \$75,000, with payments to be based on the type of injuries sustained.

There are seven terrorist acts which have retrospectively been declared eligible for financial assistance to eligible individuals. These are the September 11 attacks in 2001, the first Bali bombing in 2002, the London bombing in 2005, the second Bali bombing in 2005, the Egypt (Dahab) bombing in 2006, the Mumbai attacks in 2008, and the Jakarta bombings in 2004 and 2009. In addition, financial assistance will be provided to eligible victims of the Nairobi attack on 21-24 September 2013.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 9 October 2013 issued by the Prime Minister.

Legal Policy Reform and Advocacy Funding — redirection

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Attorney-General's Department	-	-4.6	-6.5	-16.3	-15.7

The Government will achieve savings of \$43.1 million over four years by removing funding support for policy reform and advocacy activities provided to four legal assistance programmes. Funding for the provision of frontline legal services will not be affected.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

This measure implements the savings announced in the Government's pre-election costings document.

Appendix A: Policy decisions taken since the 2013-14 Budget

Operation Sovereign Borders — enhancing people smuggling intelligence gathering, disruption and joint policing

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Federal Police	-	10.1	18.0	8.7	-
Australian Secret Intelligence Service	-	6.6	10.6	6.5	-
Australian Security Intelligence Organisation	-	0.3	0.7	0.3	-
Australian Crime Commission	-	0.1	0.3	0.1	-
Total — Expense	-	17.2	29.6	15.7	-
<i>Related capital (\$m)</i>					
Australian Federal Police	-	1.0	0.2	-	-
Australian Secret Intelligence Service	-	0.7	2.4	-	-
Australian Security Intelligence Organisation	-	0.1	-	-	-
Australian Crime Commission	-	-	-	-	-
Total — Capital	-	1.7	2.6	-	-

The Government will provide \$66.8 million over three years to enhance Australia's anti-people smuggling activities through increased intelligence gathering, disruptions and joint policing operations.

Funding will be provided for the Australian Federal Police, the Australian Crime Commission, the Australian Security Intelligence Organisation and the Australian Secret Intelligence Service to work domestically and with regional partners to combat the operations of people smugglers. The Australian Signals Directorate will also be involved, funded from within its existing resources.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for a Regional Deterrence Framework to Combat People Smuggling*.

Portrayal of senior Australians in the media — redirection of funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Human Rights Commission	-	-	-0.6	-0.4	-

The Government will achieve savings of \$958,000 over two years by not proceeding with the 2012-13 Budget measure titled *Economic Potential of Senior Australians — countering negative stereotypes and promoting positive media portrayal of older Australians*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

This measure implements the savings announced in the Government's pre-election costings document.

Restoring Native Title Respondent Funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Attorney-General's Department	-	0.6	1.1	0.6	-

The Government will provide \$2.2 million over three years from 1 January 2014 under the *Native Title Respondents Scheme* to assist respondents who demonstrate that a native title claim is likely to have a significant impact on their interests. The Government will broaden the current eligibility criteria to widen the range of respondents who are eligible to be considered for funding support.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 1 November 2013 issued by the Attorney-General.

Royal Commission into the Home Insulation Programme

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Attorney-General's Department	-	12.2	-	-	-
Department of Finance	-	1.0	-	-	-
Total — Expense	-	13.2	-	-	-
<i>Related capital (\$m)</i>					
Attorney-General's Department	-	0.1	-	-	-
Total — Capital	-	0.1	-	-	-

The Government will provide \$20.0 million to establish a *Royal Commission into the Home Insulation Programme*.

The Royal Commission will consider a range of matters including the advice provided to the Australian Government and the process and basis of Australian Government decisions in establishing and implementing the Home Insulation Programme and the Energy Efficient Homes Package that preceded it.

The Royal Commission will also examine whether any changes should be made by the Australian Government to its laws, practices, processes, procedures and systems.

The Royal Commission is expected to report by 30 June 2014.

The cost of this measure will partially be met from within the existing resources of the Attorney-General's Department.

This measure delivers on the Government's election commitment.

Appendix A: Policy decisions taken since the 2013-14 Budget

See also the related expense measures titled *Caring for our Country – redirection of funding* in the Environment portfolio and *Low Carbon Communities – redirection of funding* in the Industry portfolio.

Further information can be found in the joint press releases of 14 November 2013 and 12 December 2013 issued by the Attorney-General and the Minister for the Environment.

Safer Suburbs Programme — Taxi Security Scheme

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Attorney-General's Department	-	-0.2	-0.5	-	-

The Government will achieve savings of \$0.7 million over two years by reducing funding to the Safer Suburbs Programme — Taxi Security Scheme.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Small business and primary producer emergency assistance — concessional interest rate loans

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Attorney-General's Department	-	-	-	-	-

The Government will make available concessional loans to small businesses, primary producers and voluntary not-for-profit organisations who have suffered significant loss of income due to a natural disaster but have not necessarily been physically affected. Concessional loans of up to \$100,000 will be available, on terms consistent with concessional loans currently provided under the Natural Disaster Relief and Recovery Arrangements.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for Small Business*.

COMMUNICATIONS

Creative Australia — community based radio services — reduced funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Communications	-	-1.3	-0.4	-0.4	-0.4

The Government will achieve savings of \$2.5 million over four years by not proceeding with the *Creative Australia – community based radio services* measure, announced in the 2013-14 Budget.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Digital Business Kits — reduced funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Communications	-	-0.1	-0.2	-0.1	-0.1

The Government will achieve savings of \$0.5 million by not proceeding with the remaining funding for the *Digital Business Kits – establishment* measure, announced in the 2013 *Economic Statement*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Digital Productivity — Digital Communities — Digital Hubs, Local Government and Community Engagement — reduced funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Communications	-	-0.1	-	-	-

The Government will achieve savings of \$0.1 million by not proceeding with the remaining funding for the *Digital Productivity – Digital Communities – Digital Hubs, Local Government and Community Engagement* measure, announced in the 2011-12 *Mid-Year Economic and Fiscal Outlook*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Appendix A: Policy decisions taken since the 2013-14 Budget

New NBN-enabled business models and applications — reduced funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Communications	-	-0.7	-0.6	-	-

The Government will achieve savings of \$1.3 million over two years by not proceeding with the *New NBN-enabled business models and applications* measure, announced in the *Pre-election Economic and Fiscal Outlook 2013*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

DEFENCE

Free basic health care to all Australian Defence Force family members

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Defence	-	-	-	-	-
<i>Related revenue (\$m)</i>					
<i>Australian Taxation Office</i>	-	-	-	-	-

The Government will provide \$225.4 million over four years for a national *Australian Defence Force Family Health* programme commencing in January 2014.

Families of permanent Australian Defence Force (ADF) and continuous full time service members within Australia will be eligible to be reimbursed for out-of-pocket expenses for Medicare-recognised general practice services. Additionally, each ADF dependant will be able to claim up to \$400 per year for allied health services, such as physiotherapy, psychology, dentistry and podiatry.

The cost of this measure will be met from within the existing resources of the Department of Defence.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for Stronger Defence*.

Operation Slipper — Al Minhad Air Base — extension

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Defence	-	66.5	-	-	-
<i>Related revenue (\$m)</i>					
<i>Australian Taxation Office</i>	-	-3.4	-1.8	-	-

The Government will provide \$66.5 million to extend Australia's military presence at Al Minhad Air Base in the United Arab Emirates until June 2014. Australia's military presence at the air base contributes to stabilisation and counter-terrorism efforts in Afghanistan and the wider Middle East Area of Operations.

This measure is also expected to lead to a reduction in revenue of \$5.2 million over two years as Australian Defence Force personnel are taxed concessionally on their base pay and allowances while on deployment.

Appendix A: Policy decisions taken since the 2013-14 Budget

Operation Slipper — Heron Remotely Piloted Aircraft — extension

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Defence	-	29.5	4.2	-	-
<i>Related revenue (\$m)</i>					
<i>Australian Taxation Office</i>	-	-0.3	-0.2	-	-

The Government will provide \$33.6 million over two years to extend the deployment to Afghanistan of Australia's Heron Remotely Piloted Aircraft (RPA) until 31 July 2014. Heron RPA provide surveillance and reconnaissance capabilities to enhance force protection in Afghanistan.

This measure is also expected to lead to a reduction in revenue of \$0.5 million over two years as Australian Defence Force personnel are taxed concessionally on their base pay and allowances while on deployment.

Operation Sovereign Borders — Operation Resolute — extension

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Defence	-	31.6	-	-	-

The Government will provide \$31.6 million to expand Operation Resolute to include activities related to Operation Sovereign Borders. This funding will be used to cover costs associated with an additional major fleet unit, resulting in the permanent assignment of two major fleet units to Operation Resolute, as well as increased personnel and associated support elements, including the use of reservists.

Operation Resolute is the Australian Defence Force's contribution to the whole-of-government effort to protect Australia's borders and offshore maritime interests.

This measure delivers on the Government's election commitment.

Further information can be found in the Coalition's *Operation Sovereign Borders* policy.

EDUCATION

Australia-Indonesia Centre — establishment

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Education	-	0.8	2.5	2.5	1.8
Total — Expense	-	0.8	2.5	2.5	1.8

The Government will provide \$15.0 million over four years to establish the Australia-Indonesia Centre. The Centre will aim to strengthen and deepen Australia-Indonesia business, cultural, educational, research and community links, as well as promote a greater understanding of contemporary Indonesia.

The Centre will be based at Monash University and will initially be a partnership with the Australian National University, the University of Melbourne, the University of Sydney and the Commonwealth Scientific and Industrial Research Organisation. The Centre will receive support from participating institutions and the private sector and is expected to be self-sustaining from 2017-18.

The cost of this measure will be partially offset by redirecting \$7.5 million over four years from the *Reward Funding* programme in the Department of Education.

Further information can be found in the press release of 13 November 2013 issued by the Prime Minister.

Australian Research Council — redirection

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Research Council	-	-15.8	-30.8	-28.7	-27.7

The Government will redirect \$103.0 million over four years from the *Australian Research Council's Discovery* and *Linkage* programmes to other Government research priorities, including increased funding for research into dementia and Type 1 Juvenile Diabetes.

The redirected funds comprise \$61.0 million from the *Discovery* programme and \$42.0 million from the *Linkage* programme.

This measure implements the savings announced in the Government's pre-election costings document.

Appendix A: Policy decisions taken since the 2013-14 Budget

Australian Research Council Centres of Excellence — reduction in funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Research Council	-	-3.3	-3.3	-3.4	-

The Government will achieve savings of \$10.0 million over three years by reducing funding for the current round of the Australian Research Council *Centres of Excellence* programme.

This funding was identified as a saving by the former Government to fund its election commitments, and will be redirected by the Government to help repair the Budget and fund policy priorities.

Building Stronger Communities Fund — reversal

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Education	-	-104.5	-107.9	-132.9	-182.9

The Government will achieve savings of \$528.2 million over four years by not proceeding with the *Building Stronger Communities Fund* measure, announced in the *Pre-election Economic and Fiscal Outlook 2013*.

Savings from this measure will be redirected to offset *Students First – A fairer funding agreement for schools – Queensland, Western Australia and the Northern Territory*.

Department of Education — reduction in funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Education	-	-1.4	-0.9	-	-

The Government will achieve savings of \$2.3 million over two years by reducing funding for the Department of Education.

This funding was identified as a saving by the former Government to fund its election commitments, and will be redirected by the Government to repair the Budget and fund policy priorities.

Appendix A: Policy decisions taken since the 2013-14 Budget

Education grant programmes — reduced funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Social Services	-	-0.3	-0.6	-0.8	-0.8
Department of Education	-	-3.4	-7.1	-7.9	-8.2
Total — Expense	-	-3.7	-7.8	-8.7	-9.0
<i>Related revenue (\$m)</i>					
<i>Department of Social Services</i>	-	-
<i>Department of Education</i>	-	-	..	-0.1	-0.1
Total — Revenue	-	-	..	-0.1	-0.1

The Government will achieve savings of \$28.9 million over four years by reducing uncommitted funding for various grant programmes across the Education portfolio.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Education Investment Fund regional priorities round — cessation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Education	-	-15.3	-63.7	-108.5	-

The Government will achieve savings of \$187.4 million over three years from the regional priorities round of the *Education Investment Fund* by returning unallocated funding and discontinuing the round.

Savings from this programme were identified by the former Government to fund its election commitments and will be redirected by the Government to help repair the Budget and fund policy priorities.

Higher Education Reward Funding — reduction in funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Education	-	-2.5	-	-	-

The Government will achieve savings of \$2.5 million by reducing funding for higher education reward funding.

This funding was identified by the former Government to fund its election commitments and will be redirected by the Government to help repair the Budget and fund policy priorities.

InSITE grants — Initiatives Supporting Innovation in Teacher Education — reversal

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Education	-	-0.8	-1.9	-2.8	-2.6

The Government will achieve savings of \$8.1 million over four years by not proceeding with funding for the *InSITE grants – Initiatives Supporting Innovation in Teacher Education* measure, announced in the *Pre-election Economic and Fiscal Outlook 2013*.

This funding was identified by the former Government to fund its election commitments and will be redirected by the Government to help repair the Budget and fund policy priorities.

Students First — A fairer funding agreement for schools — Queensland, Western Australia and the Northern Territory

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Education	-	116.3	218.8	347.9	504.2

The Government will provide an additional \$1.2 billion over the forward estimates of school funding to the Queensland, Western Australian and Northern Territory governments to implement a national funding agreement for schools.

This measure reinstates funding that was removed by the former Government through the *Better Schools – treatment of payments for non-participating States and Territories* measure included in the *2013 Economic Statement*.

The cost of this measure will be offset by redirecting funding from *Trade Training Centres – cessation* and *Building Stronger Communities Fund – reversal*.

Further information can be found in the joint press release of 2 December 2013 issued by the Prime Minister and the Minister for Education.

Students First — A fairer funding agreement for schools — implementation funding for non-government representative bodies

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Education	-	-	-	-	-

The Government will provide implementation funding to non-government representative bodies for four years, including \$55.0 million over four years to Catholic Education Commissions and \$110.0 million over four years to the Association of Independent Schools. Provision for this funding has already been included in the forward estimates.

Appendix A: Policy decisions taken since the 2013-14 Budget

The Government will not proceed with implementation funding for 2017-18 and 2018-19, resulting in a saving of \$82.4 million over two years.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Further information can be found in the joint press release of 2 December 2013 issued by the Prime Minister and the Minister of Education.

Students First — Australian Curriculum, Assessment and Reporting Authority — reduction in funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Education	-	-1.7	-6.2	-6.7	-5.4

The Government will refocus the Australian Curriculum, Assessment and Reporting Authority's (ACARA) activities to ensure it is developing the highest possible standard curriculum and direct its resources to developing benchmarking processes so Australia can compare its curriculum against the world's best. As part of this refocussing, ACARA's funding will be reduced by \$20.0 million over four years.

Savings from this programme were identified in the Government's pre-election costings document.

Students First — Flexible literacy learning for remote primary schools

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Education	-	4.0	6.0	6.0	6.0

The Government will provide \$22.0 million over four years to improve reading and writing outcomes for students in remote primary schools. Grants will be provided through the States and Territories to support remote primary schools adopt flexible teaching methods and will be conditional on evidence of schools having:

- a rigorous school attendance strategy;
- a literacy strategy that includes the direct, explicit and systematic teaching of phonics; and
- school, parental and community support.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for Schools: Students First*.

Appendix A: Policy decisions taken since the 2013-14 Budget

Students First — Independent Public Schools Fund — establishment

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Education	-	10.0	20.0	20.0	20.0

The Government will provide \$70.0 million over four years to encourage 1,500 Government schools to become Independent Public Schools by 2017. Independent Public Schools are accountable to the local community and provide autonomy to principals to achieve better education outcomes. An Independent Public Schools Fund will be established and funding will be provided through the States and Territories.

A grant from the Independent Public Schools Fund could be used for training and professional development of principals, staff, registrars, business managers and representatives of school councils to prepare and plan for a successful transition to becoming an Independent Public School.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for Schools: Students First*.

Students First — Agriculture in Education

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Education	-	1.0	1.0	-	-

The Government will provide \$2.0 million over two years to Education Services Australia to develop online support materials and curriculum resources to help teachers better understand the products and processes associated with food and fibre production. Information resources will be provided through a central website and teachers will be able to participate in workshops to learn how these digital resources can be used in the classroom and linked to the broader curriculum.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for a Competitive Agriculture Sector*.

Appendix A: Policy decisions taken since the 2013-14 Budget

Trade Training Centres — cessation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	-	-	-22.4	-95.5
Department of Education	-	-	-28.0	-88.9	-78.0
Total — Expense	-	-	-28.0	-111.3	-173.5

The Government will achieve savings of \$986.5 million over five years (including \$375.8 million in 2017-18 and \$298.0 million in 2018-19) by ceasing the *Trade Training Centres* programme.

Savings from this measure will be redirected to offset *Students First — A fairer funding agreement for schools — Queensland, Western Australia and the Northern Territory*.

Type 1 Juvenile Diabetes — clinical research

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Research Council	-	7.0	7.0	7.0	7.0

The Government will provide \$35.0 million over five years (including \$7.0 million in 2017-18) to the Juvenile Diabetes Research Foundation's Clinical Research Network for research to help find a cure for Type 1 Juvenile Diabetes.

The funding will be provided through the Australian Research Council's *Discovery* programme.

This measure delivers on the Government's election commitment.

See also the related expense measure titled *Australian Research Council — redirection*.

Further information can be found in the *Coalition's Policy to Support Australia's Health System*.

EMPLOYMENT

Australian Building and Construction Commission — re-establishment

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Office of the Fair Work Building Industry Inspectorate	-	5.0	10.0	10.0	10.0

The Government will provide \$35.0 million over four years to re-establish the Australian Building and Construction Commission (ABCC). The ABCC, which will replace the Fair Work Building Industry Inspectorate (FWBII), will administer new guidelines or a legislative code on Commonwealth-procured construction projects consistent with similar State and Territory government codes, and restore building industry-specific laws modelled on those in the *Building and Construction Industry Improvement Act 2005*.

The re-established ABCC will have increased jurisdiction, powers, functions and resources in line with the former agency that was abolished in June 2012.

Funding for the ABCC will be redirected to the FWBII until the Commission is established.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 14 November 2013 issued by the Minister for Employment.

Experience+ Job Bonus — cessation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Employment	-	-	-2.8	-2.8	-2.8

The Government will achieve savings of \$11.1 million over four years (including \$2.8 million in 2017-18) by ceasing the *Experience+ Jobs Bonus* from 1 July 2014.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Job Commitment Bonus — establishment

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Human Services	-	1.2	4.0	2.0	2.5
Department of Employment	-	0.1	0.4	29.8	55.2
Total — Expense	-	1.3	4.4	31.8	57.8
<i>Related capital (\$m)</i>					
Department of Human Services	-	0.4	2.9	0.8	-
Department of Employment	-	-	-	-	-
Total — Capital	-	0.4	2.9	0.8	-

The Government will provide \$157.1 million over five years (including \$57.7 million in 2017-18) to assist long-term unemployed young people to obtain employment by providing Job Commitment Bonuses.

From 1 July 2014, job seekers aged 18 to 30 who have been unemployed for 12 months or more and who are receiving Newstart or Youth Allowance (Other) will be eligible for a \$2,500 payment if they get a job and remain off Newstart or Youth Allowance (Other) for a continuous period of 12 months.

Job seekers will receive a further \$4,000 if they remain in a job and do not receive Newstart or Youth Allowance (Other) for a further 12 months (that is, a continuous period of 24 months). They will also be eligible to receive the Job Commitment Bonus if they are employed in multiple jobs and do not claim Newstart or Youth Allowance (Other) during the Job Commitment Bonus qualifying period.

The Job Commitment Bonus will be paid through the Department of Human Services.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy to Increase Employment Participation*.

Mature Age Participation — job seeker assistance — cessation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Employment	-	-3.0	-7.7	-	-

The Government will achieve savings of \$10.7 million over two years by ceasing the *Mature Age Participation – job seeker assistance* measure announced in the 2012-13 Budget. The programme was due to terminate on 30 June 2015.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

This measure implements the savings announced in the Government's pre-election costings document.

Appendix A: Policy decisions taken since the 2013-14 Budget

Migrant Communities Employment Fund — cessation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Employment	-	-3.4	-3.2	-	-

The Government will achieve savings of \$6.6 million over two years by not proceeding with funding for the *Migrant Communities Employment Fund* measure, announced in the *2013 Economic Statement*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Registered Organisations Commission — establishment

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Office of the Fair Work Ombudsman	-	-	-	-	-

The Government will establish a Registered Organisations Commission (ROC) with the investigative and compliance powers necessary to regulate registered organisations' compliance with the *Fair Work (Registered Organisations) Act 2009* (the RO Act). Registered organisations are union and employer organisations that are registered under the RO Act. The RO Act will be amended to better align the obligations of office holders, penalties for misconduct and powers of the regulator with those in the *Corporations Act 2001*.

The ROC, which will commence operations on 1 March 2014, will be an independent entity within the Fair Work Ombudsman's office. Functions and powers of the Fair Work Commission (FWC) that relate to monitoring and compliance of the financial management obligations of registered organisations will be transferred to the ROC, with costs offset by savings from the FWC no longer undertaking this role.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for Better Transparency and Accountability of Registered Organisations*.

Appendix A: Policy decisions taken since the 2013-14 Budget

Relocation Assistance to Take up a Job programme — establishment

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Human Services	-	0.6	..	..	..
Department of Employment	-	..	3.7	4.2	3.7
Department of the Prime Minister and Cabinet	-	-	0.1	0.1	0.1
Department of Social Services	-	-	-4.4	-13.5	-19.0
Total — Expense	-	0.6	-0.6	-9.3	-15.2
<i>Related capital (\$m)</i>					
<i>Department of Employment</i>	-	0.3	-	-	-
<i>Department of Human Services</i>	-	-	-	-	-
<i>Department of the Prime Minister and Cabinet</i>	-	-	-	-	-
Total — Capital	-	0.3	-	-	-

The Government will provide \$16.6 million over five years (including \$3.8 million in 2017-18) to assist long-term unemployed people relocate to find employment.

From 1 July 2014, job seekers who have been unemployed for 12 months or more, are receiving Newstart Allowance, Youth Allowance (Other) or Parenting Payment, and are participating in Job Services Australia or eligible for Disability Employment Services or Remote Jobs and Communities Programme services will be eligible to participate in the Relocation Assistance to Take up a Job programme.

The programme will cover costs such as air travel and removalists and provide:

- up to \$6,000 for job seekers to relocate to a regional area (either from a metropolitan or another regional area) and up to \$3,000 to relocate to a metropolitan area (either from a regional or another metropolitan area with higher unemployment); and
- an additional \$3,000 for families with dependent children.

Participants who leave employment within six months of relocating without a reasonable excuse, will incur a 26 week non-payment penalty before becoming eligible to receive unemployment benefits again.

The measure is estimated to achieve savings of \$56.4 million over five years (including \$19.5 million in 2017-18) by assisting eligible long-term unemployed income support recipients to find a job and remain off unemployment benefits.

The Relocation Assistance to Take up a Job programme Bonus will be paid through the Department of Employment.

This measure delivers on the Government's election commitment.

Appendix A: Policy decisions taken since the 2013-14 Budget

Further information can be found in the *Coalition's Policy to Create Jobs by Boosting Productivity*.

Seniors Employment Incentive Payment — establishment

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Employment	-	0.3	18.4	60.1	59.2
<i>Related capital (\$m)</i>					
<i>Department of Employment</i>	-	0.5	-	-	-

The Government will provide \$197.5 million over five years (including \$59.0 million in 2017-18) to establish a wage subsidy for mature age job seekers.

From 1 July 2014, a payment of \$3,250 will be available to employers who hire a mature age job seeker (aged 50 years or over) who has been receiving income support for at least six months.

Payments to employers will only commence after the job seeker has been employed for at least six months. Thereafter, payments will be made in fortnightly instalments over six months until the full amount has been paid.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy to Create Jobs by Boosting Productivity*.

Tasmanian forestry workers assistance project — cessation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Employment	-	-	-1.2	-1.2	-

The Government will achieve savings of \$2.4 million by not proceeding with funding for the *Tasmanian forestry workers assistance project – extension* measure, announced in the *Pre-election Economic and Fiscal Outlook 2013*. This measure extended funding provided to ForestWorks to assist redundant Tasmanian forestry workers transition back to employment, including through linking workers with employment service providers and identifying training needs.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Appendix A: Policy decisions taken since the 2013-14 Budget

Tasmanian Jobs programme — pilot

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Employment	-	0.2	4.5	1.0	-
Department of Social Services	-	-	0.9	0.2	-
Total — Expense	-	0.2	5.4	1.2	-
<i>Related capital (\$m)</i>					
<i>Department of Employment</i>	-	0.1	-	-	-
Total — Capital	-	0.1	-	-	-

The Government will provide \$6.9 million over three years to establish a wage subsidy pilot for Tasmanian job seekers.

From 1 January 2014 to 30 June 2016, the Tasmanian Jobs programme will provide up to 2,000 one-off payments of \$3,250 to any Tasmanian business that hires an eligible job seeker and continues to employ them on a full-time basis for at least six months.

To be eligible, the job seeker must be receiving Newstart Allowance, Youth Allowance (Other) or Parenting Payment, and must be participating in Job Services Australia or Disability Employment Services. Job seekers must also physically reside in Tasmania for at least six months before the job commences to attract the payment.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy to Boost Employment in Tasmania*.

ENVIRONMENT

Biodiversity Fund — reduced funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Environment	-	-0.2	-0.3	-0.7	-0.3

The Government will achieve savings of \$1.4 million over four years from the *Biodiversity Fund*.

This saving is in addition to the savings achieved by the Government from abolishing the *Biodiversity Fund* as part of repealing the carbon tax.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

See also the related expense measure titled *Repeal of the Carbon Tax – abolishing other measures*.

Caring for our Country — redirection of funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Environment	-	-6.7	-	-	-

The Government will redirect funding of \$6.7 million from the *Caring for our Country* programme to fund part of the cost of the *Royal Commission into the Home Insulation Programme*.

See also the related expense measure titled *Royal Commission into the Home Insulation Programme* in the Attorney-General's portfolio.

Further information can be found in the joint press release of 14 November 2013 issued by the Attorney-General and the Minister for the Environment.

Former Department of Climate Change and Energy Efficiency — reduction in funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Clean Energy Regulator	-	-0.4	-0.8	-0.8	-0.8
Department of Foreign Affairs and Trade	-	-0.6	-1.2	-1.2	-1.2
Department of Industry	-	-1.0	-0.7	-0.7	-0.7
Department of the Environment	-	-3.7	-6.9	-6.9	-6.9
Total — Expense	-	-5.8	-9.7	-9.7	-9.7
<i>Related capital (\$m)</i>					
Department of Industry	-	-1.0	-3.1	-3.1	-3.1

The Government will achieve savings of \$45.0 million over four years (and \$12.8 million per annum from 2017-18) by reducing the functions of the former Department of Climate Change and Energy Efficiency that were transferred to the Department of the Environment, the Clean Energy Regulator, the Department of Industry and the Department of Foreign Affairs and Trade.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

This measure implements the savings announced in the Government's pre-election costings document.

Green Army — establishment

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Human Services	-	4.4	..	-1.0	-1.6
Department of the Environment	-	1.0	50.7	98.5	147.3
Department of Social Services	-	0.3	-6.7	-13.8	-21.2
Department of Finance	-	0.1	-	-	-
Department of Employment	-	..	-	-	-
Total — Expense	-	5.8	44.0	83.7	124.5
<i>Related capital (\$m)</i>					
Department of Employment	-	0.3	-	-	-

The Government will provide \$300.0 million over four years (and a further \$222.1 million in 2017-18 and \$289.2 million in 2018-19) to establish the Green Army. The programme will support regional, national and international conservation management objectives through the delivery of local projects, while also providing skills and training to participants.

Appendix A: Policy decisions taken since the 2013-14 Budget

The programme will initially focus on participants in the 17–24 year age bracket. It will scale up from 2,500 participants undertaking 250 projects in 2014-15 to 15,000 participants and 1,500 projects in 2018-19.

The cost of this measure will be partially offset by a reduction in income support payments in the Social Services portfolio.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for a Green Army*.

Repeal of the Carbon Tax — abolishing business compensation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Industry	-	-	-254.8	-270.4	-207.3
Clean Energy Regulator	-	-	-679.2	-1,408.6	-2,192.4
Total — Expense	-	-	-934.0	-1,679.0	-2,399.7
<i>Related revenue (\$m)</i>					
Australian Taxation Office	-	-	50.0	150.0	100.0

The Government will achieve savings of \$5.3 billion over three years by abolishing business compensation measures associated with the carbon tax from 1 July 2014, including the:

- *Jobs and Competitiveness Programme;*
- *Energy Efficiency Information Grants;*
- *Clean Energy Skills Package;*
- *Supporting Jobs Package;*
- *Clean Technology Programmes; and*
- *Steel Transformation Plan.*

This measure also includes a gain to revenue from returning the instant asset write-off threshold for small businesses to \$5,000, commencing 1 January 2014. The increase in the threshold was linked by the former Government to the introduction of the carbon tax.

This measure delivers on the Government's election commitment to repeal the carbon tax and associated measures.

Further information can be found in the joint press release of 15 October 2013 issued by the Prime Minister and the Minister for the Environment.

Repeal of the Carbon Tax — abolishing energy market compensation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Clean Energy Regulator	-	-	-513.8	-	-
Department of the Treasury	-	-1.5	-1.9	-1.9	-
Total — Expense	-	-1.5	-515.7	-1.9	-
<i>Related revenue (\$m)</i>					
Department of the Treasury	-	-2.8	-8.4	-15.3	-17.8

The Government will achieve net savings of \$474.7 million over four years by abolishing the energy market compensation measures associated with the carbon tax. The *Loans for Future Vintage Carbon Units* programme was abolished from 15 October 2013 and the *Energy Security Fund* will be abolished from 1 July 2014.

This measure delivers on the Government's election commitment to repeal the carbon tax and associated measures.

Further information can be found in the joint press release of 15 October 2013 issued by the Prime Minister and the Minister for the Environment.

Repeal of the Carbon Tax — abolishing land initiatives and unnecessary bureaucracies

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	-	-	-	-
Department of Agriculture	-	-	-4.8	-6.0	-4.7
Australian Taxation Office	-	-	-20.0	-	-
Climate Change Authority	-	-2.3	-8.7	-8.6	-8.6
Productivity Commission	-	-3.6	-4.6	-	-
Department of the Environment	-	-16.6	-24.7	-19.9	-18.8
Total — Expense	-	-22.5	-62.9	-34.5	-32.1

The Government will achieve savings of \$152.0 million over four years by abolishing land initiatives and unnecessary government bodies associated with the carbon tax.

This measure includes savings from abolishing the Energy Security Council and *Biodiversity Fund* from 15 October 2013 and from not proceeding with unnecessary reviews by the Productivity Commission under the *Clean Energy Act 2011*. The measure also includes savings from abolishing the following programmes from 1 July 2014:

- *Carbon Farming Futures and Indigenous Carbon Farming Fund*;
- *Carbon Farming Skills Initiative*;

Appendix A: Policy decisions taken since the 2013-14 Budget

- *Natural Resource Management for Climate Change; and*
- *Conservation tillage refundable tax offsets.*

This measure also includes savings from abolishing the Climate Change Authority from a date to be proclaimed following Royal Assent of the *Climate Change Authority (Abolition) Bill 2013*.

This measure delivers on the Government's election commitment to repeal the carbon tax and associated measures.

Further information can be found in the joint press release of 15 October 2013 issued by the Prime Minister and the Minister for the Environment.

Repeal of the Carbon Tax — abolishing other measures

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Competition and Consumer Commission	-	2.0	6.0	2.0	-
Australian Securities and Investments Commission	-	-	-0.7	-	-
Australian Taxation Office	-	-	-2.3	-	-
Department of Social Services	-	-	-9.0	-	-
Department of the Prime Minister and Cabinet	-	-	-14.5	-11.9	-
Department of Industry	-	-	-23.1	-13.3	-12.9
Australian Renewable Energy Agency	-	-	-172.3	-170.0	-92.6
Department of the Environment	-	-0.6	-6.1	-11.1	-11.7
Clean Energy Finance Corporation	-	-177.2	-320.5	-322.4	-323.9
Total — Expense	-	-175.7	-542.6	-526.7	-441.2
<i>Related revenue (\$m)</i>					
<i>Clean Energy Finance Corporation</i>	-	0.1	-43.9	-131.3	-263.9
<i>Department of the Environment</i>	-	-	7.2	3.0	4.0
<i>Australian Taxation Office</i>	-	-	-	-	-
Total — Revenue	-	0.1	-36.7	-128.3	-259.9
<i>Related capital (\$m)</i>					
<i>Clean Energy Finance Corporation</i>	-	-0.1	-0.3	-0.3	-0.3

The Government will achieve savings of \$1.3 billion over four years by abolishing a range of initiatives associated with the carbon tax.

Appendix A: Policy decisions taken since the 2013-14 Budget

This measure includes savings from abolishing the Climate Commission from 15 October 2013 and the Clean Energy Finance Corporation from 28 days following Royal Assent of the *Clean Energy Finance Corporation (Abolition) Bill 2013*. It also includes savings from:

- abolishing the *Low Carbon Communities* programme, *Remote Indigenous Energy* programme and *Voluntary Action Pledge Fund* from 1 July 2014;
- terminating funding for the *Energy Efficiency Opportunities* programme from 1 July 2014;
- reducing funding for the Australian Renewable Energy Agency from 2014-15;
- not providing additional support to the existing industry funded and operated destruction incentives programme for synthetic greenhouse gases and ozone depleting substances from 1 July 2014; and
- not proceeding with the second round of personal income tax cuts associated with the carbon tax, which were initially legislated to commence on 1 July 2015 but were deferred by the former Government in the 2013-14 Budget.

The Government will also provide \$10.0 million over three years to the Australian Competition and Consumer Commission to ensure the benefits of the repeal of the carbon tax flow through to consumers.

This measure delivers on the Government's election commitment to repeal the carbon tax and associated measures.

Further information can be found in the joint press release of 15 October 2013 issued by the Prime Minister and the Minister for the Environment.

Water — rephase four years of spending over six years

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	-10.0	-	-	-
Department of the Environment	-	-12.4	-18.7	-29.9	-29.1
Total — Expense	-	-22.4	-18.7	-29.9	-29.1
<i>Related capital (\$m)</i>					
Department of the Environment	-	-31.8	-109.5	-188.2	-220.4

The Government will rephase expenditure of \$551.0 million in the *Restoring the Balance in the Murray-Darling Basin* programme and \$99.0 million in the *Sustainable Rural Water Use and Infrastructure* programme to beyond the forward estimates (\$459.5 million in 2017-18 and \$190.5 million in 2018-19). The two programmes will also be amalgamated to provide greater flexibility in managing the Government's water reform priorities.

Appendix A: Policy decisions taken since the 2013-14 Budget

The Government will also cease the *Strategic Sub-System Reconfiguration* programme, with the funding to be redirected to other water priorities.

Savings from this programme were identified in the Government's pre-election costings document.

FINANCE

Funding for pre-existing measures affecting the public sector

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Finance	-	nfp	nfp	-	-

The Government will provide additional funding to selected agencies for redundancies in 2013-14 and 2014-15 to assist in implementing savings decisions affecting government agencies' operations made by the previous Government. Funding will be provided following an agency by agency assessment of the need for funding to reduce staffing levels and to avoid operating losses and place them on a sustainable financial footing.

Guidelines issued by the Department of Finance and the Australian Public Service Commission will be used to assess an agency's need for funding.

Funding for this measure is not for publication while assessments are undertaken.

National Commission of Audit

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Finance	-	1.0	-	-	-

The Government will provide \$1.0 million for the establishment and the operation of a National Commission of Audit to assess the role and scope of Government, and to examine the scope for efficiency and productivity improvements across all areas of Commonwealth expenditure. The National Commission of Audit will provide an initial report to the Government before the end of January 2014 with the final report forming part of the 2014-15 Budget process.

This measure delivers on the Government's election commitment.

Further information can be found in the joint press release of 22 October 2013 issued by the Treasurer and the Minister for Finance.

Payments to Animals Australia Incorporated — discontinue

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Finance	-

The Government will achieve savings of \$0.1 million over four years by not proceeding with funding to the Department of Finance for payments made to Animals Australia Incorporated.

The saving from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Appendix A: Policy decisions taken since the 2013-14 Budget

Revert to Pre-2010 Election Non-Government Personal Staffing Ratios

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Finance	-	-0.8	-1.7	-1.7	-1.7

The Government will achieve savings of \$6.0 million over four years by returning the number of personal staff of non-government Parliamentarians to the arrangements that existed immediately prior to the 2010 election.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Savings from this programme were identified in the Government's pre-election costings document.

FOREIGN AFFAIRS AND TRADE

Assistance to the Philippines — Typhoon Haiyan

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Foreign Affairs and Trade	-	-	-	-	-
Department of Defence	-	-	-	-	-
Total — Expense	-	-	-	-	-

The Government is providing over \$40.0 million in assistance and Australian Defence Force logistical support for the recovery response to Typhoon Haiyan.

Australia's \$40.0 million contribution includes \$15.0 million for the United Nations (UN) flash appeal and other UN organisations, \$12.0 million for non-government organisations assisting with relief efforts including the Australian Red Cross, the International Red Cross and Philippine non-government organisations; and the deployment of Australian specialists including a medical team, Australian Federal Police disaster management and Department of Foreign Affairs and Trade (DFAT) humanitarian personnel.

Funding for this measure is being met from within existing resources including an existing emergency response allocation within DFAT.

Australian Manufacturing Export Base — Export Market Development Grants — additional funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Trade Commission	-	12.5	12.5	12.5	12.5

The Government will provide additional funding of \$50.0 million over four years for the existing Export Market Development Grants (EMDG) scheme. The EMDG programme provides funding for the partial reimbursement of eligible export marketing expenditure for Small and Medium Enterprise (SME) exporters. These grants assist SME exporters to enter new markets and become self-sustaining exporters.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for Trade*.

Appendix A: Policy decisions taken since the 2013-14 Budget

Discontinue the establishment of Australia's diplomatic post — Senegal

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Foreign Affairs and Trade	-	-1.4	-1.3	-3.4	-2.9
<i>Related capital (\$m)</i>					
<i>Department of Foreign Affairs and Trade</i>	-	-0.2	..	-6.7	-4.3

The Government will achieve savings of \$20.3 million (including capital funding of \$11.2 million) over four years by discontinuing the establishment of Australia's diplomatic post in Dakar, Senegal.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

This measure implements the savings announced in the Government's pre-election costings document.

Global Fund to fight AIDS, Tuberculosis and Malaria

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Foreign Affairs and Trade	-	-	-	-	-

The Government will provide \$200 million over three years commencing in 2014-15 for the Fourth Replenishment of the Global Fund to fight AIDS, Tuberculosis and Malaria (Global Fund).

The Global Fund is a public-private partnership and international financing institution that supports large scale prevention and treatment against HIV, AIDS, tuberculosis and malaria. Australia has contributed to the Global Fund since 2004.

Funding for this measure will be met from within the existing resources of the Department of Foreign Affairs and Trade.

Refocus the Tourism Industry Regional Development Fund

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Trade Commission	-	-	-	-	-

The Government will refocus the *Tourism Industry Regional Development Fund* on infrastructure projects that drive demand to ensure that the benefits of Government investment can be multiplied across the tourism sector.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for Tourism*.

Appendix A: Policy decisions taken since the 2013-14 Budget

The New Colombo Plan

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Foreign Affairs and Trade	-	5.8	11.6	19.7	20.1

The Government will provide \$100.0 million over five years (including \$42.9 million in 2017-18) to establish a New Colombo Plan, an Australian undergraduate study and internship program aimed at lifting knowledge of Asia and the Pacific in Australia and strengthening Australia's people-to-people and institutional relationships in the region. The Department of Foreign Affairs and Trade will provide strategic oversight of the New Colombo Plan with the Department of Education delivering the scholarship and student mobility programmes.

This measure delivers on the Government's election commitment.

Further information can be found in the joint press release of 10 December 2013 issued by the Minister for Foreign Affairs and the Minister for Education.

HEALTH

Albury-Wodonga cardiac catheterisation laboratory

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	5.0	-	-	-
Department of Health	-	-	-	-	-
Total — Expense	-	5.0	-	-	-

The Government will provide \$5.0 million towards the construction of a new cardiac catheterisation laboratory at Albury-Wodonga Hospital to enable local residents suffering from heart conditions to access quality care, without the need to travel long distances to capital cities.

The cardiac catheterisation laboratory will be built on the Albury Hospital site by refurbishing existing space adjoining the current imaging department.

This measure delivers on the Government's election commitment.

Ballina Hospital — upgrades

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	4.5	-	-	-
Department of Health	-	-	-	-	-
Total — Expense	-	4.5	-	-	-

The Government will provide \$4.5 million to Ballina Hospital, New South Wales, to build a second operating theatre and upgrade the medical imaging department. This will improve the delivery of services in the hospital and enable an increase in the operating theatre capacity. The upgrade will improve the flow of patients between the emergency department and the medical imaging department.

This measure delivers on the Government's election commitment.

Bear Cottage — children's palliative care

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	2.0	-	-	-

The Government will provide \$2.0 million to support the only dedicated children's palliative care facility, Bear Cottage, in New South Wales. Bear Cottage provides support and respite for families of children with life-limiting conditions.

This measure delivers on the Government's election commitment.

Further information can be found in the media release titled The Coalition's Support for Bear Cottage, of 1 September 2013.

Appendix A: Policy decisions taken since the 2013-14 Budget

Cairns Mental Health Carers Support Hub

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	-	-	-	-

The Government will provide up to \$230,000 in 2013-14 to the Mental Illness Fellowship of North Queensland as a contribution to the Cairns Mental Health Carers Support Hub which provides mental health services in the Cairns region.

The cost of this measure will be met from within the existing resources of the Department of Health.

Chemotherapy services — continuation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	28.0	54.2	-	-

The Government will provide an additional \$82.2 million over two years to increase dispensing fees for Efficient Funding of Chemotherapy Drugs, listed on the Pharmaceutical Benefits Scheme.

The *Review of Funding Arrangements for Chemotherapy Services* recommended that dispensing fees be increased by \$60 per infusion from 1 January 2014 until the expiry of the *Fifth Community Pharmacy Agreement* on 30 June 2015.

Further information can be found in the joint press release of 30 November 2013 issued by the Prime Minister and the Minister for Health.

Commonwealth Medical Internships — additional funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	6.0	11.0	11.0	12.0

The Government will provide \$40.0 million over four years to support up to 100 additional medical internship places each year in private hospitals and non-traditional settings, with priority given to rural and regional areas.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy to Support Australia's Health System*.

Appendix A: Policy decisions taken since the 2013-14 Budget

Dental Reform — communications

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	-1.7	-	-	-

The Government will achieve savings of \$1.7 million by not proceeding with funding for the *Dental Reform – communications* measure, announced in the *2013 Economic Statement*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Donation to Western Australian Children's Health Telethon

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	-	-	-	-
Department of Social Services	-	-	-	-	-
Total — Expense	-	-	-	-	-

The Government will provide \$2.0 million in 2013-14 to the Channel Seven Telethon Trust, a charitable trust supporting children's health in Western Australia. The Trust provides financial assistance to charitable organisations, children's hospitals, and funds research into children's diseases.

The cost of this measure will be met from within the existing resources of the Department of Health and the Department of Social Services.

Healthier Communities — Priority Infrastructure Programme

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	-8.0	-19.0	-	-

The Government will achieve savings of \$27.0 million over two years by not proceeding with funding for the *Healthier Communities – Priority Infrastructure Programme* measure, announced in the *Pre-Election Economic and Fiscal Outlook 2013*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Appendix A: Policy decisions taken since the 2013-14 Budget

Heffron Park upgrade — contribution reversal

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	-11.2	-4.8	-	-

The Government will achieve savings of \$16.0 million over two years by not proceeding with funding for the *Heffron Park upgrade – contribution* measure announced in the *Pre-election Economic and Fiscal Outlook 2013*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Hummingbird House — support for children's hospice

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	0.8	0.8	0.8	0.8

The Government will provide \$5.5 million over seven years from 2013-14 (including \$0.8 million in 2017-18, 2018-19, and 2019-20) to assist with the establishment and operation of Hummingbird House. Hummingbird House will provide 24 hour care for children with a life-limiting condition offering respite, grief and bereavement services, sibling support services and accommodation for families.

Other funds will be provided by the Queensland Government and private sources.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for Respite and Hospice Care for Children in Brisbane*.

Integrated Cancer Care Centre Victoria — Peter's Project

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	10.0	-	-	-
Department of Health	-	-	-	-	-
Total — Expense	-	10.0	-	-	-

The Government will provide \$10.0 million towards the 'Peter's Project' campaign to build an integrated cancer care centre in Warrnambool, Victoria. The centre will deliver vital health services to western Victoria, including various cancer services such as radiotherapy treatment and support to people with cancer.

This measure delivers on the Government's election commitment.

Appendix A: Policy decisions taken since the 2013-14 Budget

Karratha Country Club — Grassing the Greens — contribution reversal

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	-0.4	..	-	-

The Government will achieve savings of \$0.4 million over two years by not proceeding with funding for the *Karratha Country Club – Grassing the Greens – contribution* measure announced in the *Pre-election Economic and Fiscal Outlook 2013*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Maintaining the Voluntary Dental Graduate Year Programme

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	-12.3	-16.0	-4.9	-7.6

The Government will achieve savings of \$40.7 million over four years by reducing funding for the *Voluntary Dental Graduate Year Programme*. The Government will maintain support for 50 dental graduate placements per year which provides a structural transition to practice for new dental graduates.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Meakin Park Junior Sporting Association — facilities upgrade reversal

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	-0.5	-0.1	-	-

The Government will achieve savings of \$0.5 million over two years by not proceeding with funding for the *Meakin Park Junior Sporting Association – facilities upgrade* measure which was announced in the *Pre-election Economic and Fiscal Outlook 2013*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Medicare Benefits Schedule — new and amended listings

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	1.7	3.9	4.7	5.2
Department of Veterans' Affairs	-	..	0.1	0.1	0.1
Department of Human Services	-
Total — Expense	-	1.7	4.0	4.8	5.3

The Government will amend the Medicare Benefits Schedule and Veterans' Benefits for new and amended listings since the 2013-14 Budget, at a cost of \$15.8 million over four years.

The amendments to the Medicare Benefits Schedule include the:

- addition of an item for delivery of Botox® injections to adult patients with chronic migraine;
- addition of an item for tumour tissue tests to grant access to Dabrafenib (Tafinlar®) for patients with melanoma;
- amendment to an item for tumour tissue tests to grant access to Erlotinib (Tarceva®) for patients with lung cancer; and
- amendment to an item for capsule endoscopy to improve diagnostic services for patients with gastrointestinal bleeding.

Further information will be available in the summary of changes included in the Medicare Benefits Schedule issued by the Department of Health as the amendments take effect.

Palmerston Hospital

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	-	20.0	20.0	-
Department of Health	-	-	-	-	-
Total — Expense	-	-	20.0	20.0	-

The Government will provide an additional \$40.0 million over two years towards the construction of a new hospital in Palmerston, Northern Territory. The new hospital will provide a full emergency department, a paediatrics ward, and elective surgery capabilities with a focus on low acuity services.

This measure delivers on the Government's election commitment.

Appendix A: Policy decisions taken since the 2013-14 Budget

Pharmaceutical Benefits Scheme — new and amended listings

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	28.0	20.2	33.8	40.8
Department of Human Services	-	0.5	0.3	0.5	0.7
Department of Veterans' Affairs	-	0.3	-0.3	-0.1	..
Total — Expense	-	28.8	20.2	34.2	41.5
<i>Related revenue (\$m)</i>					
Department of Health	-	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>	<i>nfp</i>

The Government will provide \$124.7 million over four years for a number of new and amended listings on the Pharmaceutical Benefits Scheme and the Repatriation Pharmaceutical Benefits Scheme.

New listings from 1 December 2013 include:

- Tafenlar® (dabrafenib) for the treatment of melanoma;
- Sutent® (sunitinib) for the treatment of pancreatic cancer; and
- Prolia® (denosumab) for the treatment of osteoporosis.

New listings from 1 January 2014 include:

- Tarceva® (erlotinib) for the treatment of lung cancer;
- Iressa® (gefitinib) for the treatment of advanced lung cancer; and
- Quetiapine (all brands) for the treatment of schizophrenia and bipolar disorder.

The costs to Government of some of these medicines are reduced by the revenue from pricing agreements negotiated between the Government and the pharmaceutical manufacturers. Details of this revenue is not for publication due to commercial sensitivity.

General consumers will continue to pay a \$36.10 co-payment per prescription and concession card holders will pay a \$5.90 co-payment per prescription.

Further information can be found in the press releases of 28 October 2013 and 2 December 2013 issued by the Minister for Health.

Pharmaceutical Benefits Scheme — price amendments

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	0.8	1.5	1.5	1.6
Department of Veterans' Affairs	-
Total — Expense	-	0.8	1.6	1.5	1.6

The Government will provide \$5.5 million over four years for price amendments for certain medicines currently listed on the Pharmaceutical Benefits Scheme and the Repatriation Pharmaceutical Benefits Scheme.

The price amendments from 1 December 2013 include:

- Aurothiomalate sodium for the treatment of rheumatoid arthritis;
- Nitrazepam a short-term sleeping tablet; and
- Vigabatrin for the treatment of epilepsy.

The price amendments from 1 January 2014 include:

- Benztropine injections for the treatment of Parkinson's Disease; and
- Cyclophosphamide for the treatment of cancer.

These price amendments were recommended by the Pharmaceutical Benefits Pricing Authority, an independent non-statutory body that reviews the price of products supplied under the PBS and vaccines on the *National Immunisation Programme*.

Further information can be found in the press releases of 28 October 2013 and 2 December 2013 issued by the Minister for Health.

Priority Health Initiatives

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	-23.8	-106.8	-83.3	-51.6

The Government will achieve savings of \$265.5 million over four years by not proceeding with funding for the *Priority Health Initiatives* measure, announced in the *Pre-Election Economic and Fiscal Outlook 2013*.

This funding was identified by the former Government to fund its election commitments and will be redirected by the Government to help repair the Budget and fund policy priorities.

Appendix A: Policy decisions taken since the 2013-14 Budget

Public Hospital System — additional funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	66.3	-	-	-
Department of Health	-	-	-	-	-
Total — Expense	-	66.3	-	-	-

The Government will provide an additional \$66.3 million to States and Territories to support public health and hospital services funded under the National Health Reform Agreement (NHRA). This funding will increase cash flow certainty to Local Hospital Networks this year prior to full implementation of activity based funding from 1 July 2014, and mitigate the impact of parameter variations applicable up to the Mid-Year Economic and Fiscal Outlook that would otherwise reduce funding payable to States and Territories under the NHRA in 2013-14.

Sporting Communities Initiative — reversal

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	-0.8	-16.3	-	-

The Government will achieve savings of \$17.2 million over two years by not proceeding with funding for the *Sporting Communities Initiative* measure announced in the *Pre-election Economic and Fiscal Outlook 2013*.

This funding was identified by the former Government to fund its election commitments and will be redirected by the Government to help repair the Budget and fund policy priorities.

Thebarton Oval Redevelopment Project — contribution reversal

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	-4.6	-2.0	-	-

The Government will achieve savings of \$6.6 million over two years by not proceeding with funding for the *Thebarton Oval Redevelopment Project – contribution* measure announced in the *Pre-election Economic and Fiscal Outlook 2013*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Appendix A: Policy decisions taken since the 2013-14 Budget

Uncommitted Health Portfolio Funding — redirection of funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	-13.2	-7.5	-6.7	-6.9

The Government will redirect \$34.3 million of funding from the Health portfolio, including from the:

- *Aboriginal and Torres Strait Islander Health* programme (\$1.0 million in 2013-14);
- *Chronic Disease Prevention and Service Improvement Fund* (\$5.0 million over four years from 2013-14);
- *National Rural and Remote Health Infrastructure* programme (\$22.3 million over four years from 2013-14); and
- *Public Health* programme (\$6.0 million in 2013-14).

This funding was identified as a saving by the former Government to fund its election commitments and will be redirected by the Government to help repair the Budget and fund policy priorities.

Youth e-mental health platform

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Health	-	2.5	1.5	1.0	-

The Government will provide \$5.0 million over three years to the Young and Well Cooperative Research Centre to establish a new e-mental health platform aimed at making it easier for young people to get the help they need and to manage their treatment.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for Efficient Mental Health Research and Services*.

IMMIGRATION AND BORDER PROTECTION

2013-14 Humanitarian Programme

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Immigration and Border Protection	-	0.4	0.4	0.4	0.4
Australian Taxation Office	-	-	-	-	-
Department of the Prime Minister and Cabinet	-	-0.1	-0.4	-0.7	-0.7
Department of Education	-	-1.3	-4.1	-6.5	-9.1
Department of Human Services	-	-3.6	-6.9	-9.1	-12.1
Department of Employment	-	-4.3	-9.1	-9.0	-9.0
Department of Health	-	-9.2	-22.8	-33.7	-45.7
Department of the Treasury	-	-9.2	-28.1	-49.7	-73.2
Department of Industry	-	-12.9	-32.8	-38.8	-39.6
Department of Social Services	-	-35.6	-140.9	-231.7	-321.0
Total — Expense	-	-75.7	-244.6	-378.8	-510.0
<i>Related revenue (\$m)</i>					
Department of Social Services	-	-
Australian Taxation Office	-	-11.5	-41.8	-77.3	-118.9
Total — Revenue	-	-11.5	-41.8	-77.3	-118.9
<i>Related capital (\$m)</i>					
Department of Immigration and Border Protection	-	..	-	-	-

The Government will achieve savings of \$964.5 million in underlying cash terms over four years by reducing the Humanitarian programme from 20,000 to 13,750 places and targeting the programme to those most in need.

This measure reserves a minimum of 11,000 places under the offshore component of the programme, to be shared between the Refugee category and the Special Humanitarian Programme category. The focus will be on family reunion places for previous humanitarian entrants who have arrived through regular migration pathways and on refugees who have been waiting in protracted refugee situations or in refugee camps.

This measure also reserves places for women at risk and eligible locally engaged Afghan employees and their families who have assisted Australian forces in Afghanistan, and are considered to be at risk as a result of their assistance to the Australian Government.

The remaining 2,750 places will be provided for the onshore component of the programme.

Appendix A: Policy decisions taken since the 2013-14 Budget

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Savings from this programme were identified in the Government's pre-election costings document.

Addressing the Backlog and Reintroducing Temporary Protection Visas

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Immigration and Border Protection	-	202.0	319.8	-43.1	-7.2
Department of Social Services	-	11.5	-	-	-
Department of Human Services	-	4.1	-	-	-
Department of Employment	-	1.7	-	-	-
Department of Health	-	0.7	-	-	-
Total — Expense	-	220.0	319.8	-43.1	-7.2
<i>Related capital (\$m)</i>					
Department of Immigration and Border Protection	-	3.6	-	-	-

The Government will provide \$493.2 million over four years (including capital funding of \$3.6 million in 2013-14) to process the Illegal Maritime Arrival (IMA) backlog providing Temporary Protection Visas (TPVs) for those found to be owed protection.

The measure will rationalise and strengthen protection status determination processes to clear the backlog of IMAs in Australia, remove access to the Refugee Review Tribunal, and reintroduce TPVs.

TPVs will be granted for a maximum of three years with a subsequent visa to be granted if the visa holder continues to be owed protection. TPV holders will have access to the range of services available to TPV holders between 1999 and 2008.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's policy to clear Labor's 30,000 border failure backlog*.

Appendix A: Policy decisions taken since the 2013-14 Budget

Donation of Bay Class vessels

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Customs and Border Protection Service	-	0.1	0.9	0.2	0.1

The Government will provide \$1.2 million over four years to donate two retired *Bay* Class vessels to assist regional efforts to combat people smuggling. Two vessels will be donated to Sri Lanka in 2014-15. Pre-delivery maintenance and vessel training will be provided to the recipient country prior to the vessels being donated.

Further information on the vessel donation to Sri Lanka can be found in the press release of 17 November 2013 issued by the Prime Minister.

Enhancing Border Controls and Improving Identity Management

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Immigration and Border Protection	-	18.3	9.4	8.8	-
<i>Related capital (\$m)</i>					
<i>Department of Immigration and Border Protection</i>	-	1.0	2.3	1.1	-

The Government will provide \$40.9 million over three years (including capital funding of \$4.4 million) to enhance the ability of regional countries to detect and disrupt irregular movements of people from source and transit countries and reduce the flow of potential illegal immigrants into Australia.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for a Regional Deterrence Framework to Combat People Smuggling*.

Immigration Detention Network — short-term onshore contingency — reversal

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Immigration and Border Protection	-	-55.3	-5.1	-	-

The Government will achieve savings of \$60.4 million over two years by not proceeding with funding for the *Immigration Detention Network – short-term onshore contingency* measure, announced in the *2013 Economic Statement*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Mutual Obligations Arrangements — Phase One

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Immigration and Border Protection	-	-	-	-	-

The Government will provide \$5.1 million over four years to implement Phase One — Initial Mutual Obligations requirements for Illegal Maritime Arrivals (IMAs) who hold Bridging Visa Subclass E (BVEs) in the community and receive financial support.

This measure implements Phase One of the Mutual Obligations arrangements and will require IMA BVE holders to comply with a Code of Behaviour, undertake cultural orientation and English language training, where appropriate, and cooperate with immigration status resolution processes.

The cost of this measure will be met from within the existing resources of the Department of Immigration and Border Protection.

This measure delivers on the Government's election commitment.

Further information on the implementation of Mutual Obligations for Temporary Protection Visa Holders will be provided in the 2014-15 Budget.

Further information can also be found in the *Coalition's policy to clear Labor's 30,000 border failure backlog*.

Offshore Processing for Illegal Maritime Arrivals

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Immigration and Border Protection	-	405.9	1,007.0	490.3	-236.2
<i>Related capital (\$m)</i>					
<i>Department of Immigration and Border Protection</i>	-	165.6	202.3	-	-

The Government will provide \$2.0 billion over four years (including capital funding of \$180.1 million in 2013-14 and 202.3 million in 2014-15) to process Illegal Maritime Arrivals (IMAs) offshore.

This measure delivers policy integrity and credibility to Australia's offshore processing regime and enables the Government to meet its commitment that no one who arrives by boat without a visa will be processed or resettled in Australia.

The measure will address a funding shortfall of around \$1.2 billion over the forward estimates inherited from the former Government's inadequate provisioning of its offshore processing policy.

Appendix A: Policy decisions taken since the 2013-14 Budget

The measure will ensure that 100 per cent of IMAs are processed offshore whereas the former Government had planned to process only one-in-six offshore and accommodate all others onshore.

Offshore Processing Centre (OPC) capacity will be increased for IMAs and staff in Nauru and Papua New Guinea (PNG). This funding will be partially offset from the reassignment of \$58.1 million for a new detention centre in Singleton on mainland Australia agreed by the previous Government.

Australia will work cooperatively with the Governments of Nauru and PNG to implement refugee status determination processes for people in OPCs, resettle people found to be owed protection and remove people found not to be owed protection.

Further information can be found in the *Coalition's Policy for a Regional Deterrence Framework to Combat People Smuggling*.

Operation Sovereign Borders — community engagement and strategic communications campaigns

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Customs and Border Protection Service	-	8.1	8.9	2.5	0.5

The Government will provide \$19.9 million over four years for community engagement and communications activities to help prevent and disrupt maritime people smuggling activities.

Funding will be provided to expand and enhance existing community engagement activities in Indonesia, targeting potential illegal immigrants and crews of people smuggling ventures. Offshore anti-people smuggling communications campaigns in source and transit countries and domestic communications campaigns will also be expanded.

This measure aims to deter people smuggling by alerting potential illegal immigrants to the dangers of people smuggling ventures and educating them about Australia's immigration policy.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for a Regional Deterrence Framework to Combat People Smuggling*.

Appendix A: Policy decisions taken since the 2013-14 Budget

Operation Sovereign Borders — joint agency taskforce

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Immigration and Border Protection	-	2.1	3.5	3.4	-
<i>Related capital (\$m)</i>					
Department of Immigration and Border Protection	-	1.1	-	-	-

The Government will provide \$10.0 million over three years (including capital funding of \$1.1 million in 2013-14) to establish a Joint Agency Taskforce (the Taskforce) to implement Operation Sovereign Borders. The Taskforce is headed by a three star military commander, and comprises representatives from several Commonwealth agencies. The funding is for the fit-out and set up of the Taskforce's headquarters, travel costs and specialist equipment.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Operation Sovereign Borders Policy*.

Operation Sovereign Borders — strengthening response capability for illegal maritime arrivals

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Customs and Border Protection Service	-	12.3	57.9	5.5	5.5

The Government will provide \$81.2 million over four years to increase the Australian Customs and Border Protection Service's operations in Australia's northern waters in response to maritime people smuggling. This measure includes funding to:

- extend current leases for the Australian Customs Vessel (ACV) *Triton* and ACV *Ocean Protector* to 31 December 2014;
- extend the current lease for the Reims aircraft to 30 June 2015 and increase flight hours for existing Dash 8 aircraft to 30 June 2017; and
- extend the capability of the existing Australian Maritime Identification System to expand information exchange capability with Indonesian agencies.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for a Regional Deterrence Framework to Combat People Smuggling*.

Appendix A: Policy decisions taken since the 2013-14 Budget

Reform of Australia's Protection Status Determination System — reversal

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Migration Review Tribunal and Refugee Review Tribunal	-	-	0.8	0.8	0.8
Federal Court of Australia	-	-	-0.4	-0.4	-0.2
Family Court and Federal Circuit Court	-	-	-0.8	-0.8	-0.3
Department of Immigration and Border Protection	-	-0.5	-1.3	-5.0	-5.6
Total — Expense	-	-0.5	-1.7	-5.5	-5.2

The Government will achieve savings of \$13.0 million over four years by not proceeding with funding for the *Reform of Australia's Protection Status Determination System* measure, announced in the *2013 Economic Statement*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Reform of the Migration Zone for offshore workers — reversal

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Immigration and Border Protection	-	-1.7	-0.2	-0.2	-0.2
<i>Related revenue (\$m)</i>					
<i>Department of Immigration and Border Protection</i>	<i>-</i>	<i>-0.5</i>	<i>-0.5</i>	<i>-0.5</i>	<i>-0.5</i>

The Government will achieve savings with a net effect of \$0.2 million over four years by not proceeding with funding for the *Reform of the Migration Zone for offshore workers* measure, announced in the *2013 Economic Statement*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Appendix A: Policy decisions taken since the 2013-14 Budget

Tackling Crime — increased cargo and mail screening at the border

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Customs and Border Protection Service	-	5.2	21.3	24.2	23.6
<i>Related capital (\$m)</i>					
Australian Customs and Border Protection Service	-	4.2	2.4	7.0	-

The Government will provide \$88.0 million over four years to increase inspections for air and sea cargo and international mail at the border.

Funding will be provided to expand and enhance screening, examination, investigation and intelligence activities to increase detection of illicit goods.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy to Tackle Crime*.

INDUSTRY

Australian Renewable Energy Agency — redirection of funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Renewable Energy Agency	-	-40.0	-	-	-

The Government will achieve savings of \$40.0 million from the Australian Renewable Energy Agency. Funding of \$2.4 billion over nine years from 2013-14 will continue to be provided to support the research and development, demonstration and commercialisation of renewable energy and related technologies.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

This measure implements the savings announced in the Government's pre-election costings document.

Automotive Transformation Scheme — reduction in funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Industry	-	-	-100.0	-175.0	-150.0

The Government will achieve savings of \$500.0 million over four years (including \$75.0 million in 2017-18) by reducing funding for the Automotive Transformation Scheme. Funding of \$1.3 billion over eight years will remain available to support investment in the Australian automotive industry.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

This measure implements the savings announced in the Government's pre-election costings document.

Buy Australian at Home and Abroad — reduction in funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Industry	-	-0.3	-0.3	-	-

The Government will achieve savings of \$0.6 million over two years by reducing funding for the *Buy Australian at Home and Abroad* programme. Funding of \$11.0 million over two years will remain available to continue supporting linkages between major projects in the resources sector and capable Australian firms.

Appendix A: Policy decisions taken since the 2013-14 Budget

This funding was identified as a saving by the former Government to fund its election commitments and will be redirected by the Government to help repair the Budget and fund policy priorities.

Carbon Capture and Storage Flagships — reduction in funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Industry	-	-45.9	-24.9	-112.4	-72.7

The Government will achieve savings of \$256.0 million over four years from the *Carbon Capture and Storage Flagships* programme. Funding of \$735.4 million over seven years from 2013-14 will continue to be provided to support the development of large scale integrated carbon capture and storage projects in Australia.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Savings from this programme were identified in the Government's pre-election costings document.

Clean Technology programmes — reduction in funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Industry	-	-34.0	-	-	-

The Government will achieve savings of \$34.0 million by reducing funding for the *Clean Technology* programmes. This includes savings of \$10.0 million from the *Clean Technology Innovation* programme and \$24.0 million from the *Clean Technology Investment* programmes (*Clean Technology Investment* and *Clean Technology Food and Foundries* programmes).

This funding was identified as a saving by the former Government to fund its election commitments and will be redirected by the Government to help repair the Budget and fund policy priorities.

Connecting Renewables — Connecting to the Grid — suspension

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Industry	-	-25.0	-50.0	-55.0	-55.0

The Government will suspend funding for the *Connecting Renewables – Connecting to the Grid* programme until committed demand is identified. This will save \$332.0 million over seven years (including \$50.0 million in 2017-18, \$50.0 million in 2018-19 and \$47.0 million in 2019-20).

Appendix A: Policy decisions taken since the 2013-14 Budget

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

This measure implements the savings announced in the Government's pre-election costings document.

Industry Innovation Precincts programme — reduction in funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Industry	-	-4.9	-7.8	-8.3	-5.0

The Government will achieve savings of \$26.0 million over four years by reducing funding for the *Industry Innovation Precincts* programme. This includes savings of \$16.0 million to deliver on the Government's election commitment to discontinue the Manufacturing Technology Innovation Centre and \$10.0 million identified as a saving by the former Government to fund its election commitments.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Low Carbon Communities — redirection of funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Industry	-	-6.7	-	-	-

The Government will redirect funding of \$6.7 million from the *Low Carbon Communities* programme to fund part of the cost of the *Royal Commission into the Home Insulation Programme*.

See also the related expense measure titled *Royal Commission into the Home Insulation Programme* in the Attorney-General's portfolio.

Further information can be found in the joint press release of 14 November 2013 issued by the Attorney-General and the Minister for the Environment.

National CO2 Infrastructure Plan — suspension

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Industry	-	-15.0	-5.7	-	-

The Government will suspend funding for the *National CO2 Infrastructure Plan*, saving \$20.7 million over two years.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

This measure implements the savings announced in the Government's pre-election costings document.

National Workforce Development Fund — community services workforce assistance — redirection of funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Industry	-	-15.3	-15.3	-	-

The Government will achieve savings of \$30.6 million over two years by not proceeding with funding for the *National Workforce Development Fund – community services workforce assistance* measure, announced in the *Pre-election Economic and Fiscal Outlook 2013*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

National Workforce Development Fund — enhancing high-technology manufacturing — redirection of funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Industry	-	-17.8	-17.8	-	-

The Government will achieve savings of \$35.6 million over two years by not proceeding with funding for the *National Workforce Development Fund – enhancing high-technology manufacturing* measure, announced in the *Pre-election Economic and Fiscal Outlook 2013*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Resources, Energy and Tourism Counsellor in New Delhi — cessation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Industry	-	-	-0.7	-0.7	-0.9

The Government will achieve savings of \$2.3 million over three years by not continuing with funding for the Resources, Energy and Tourism Counsellor in New Delhi.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Savings from this programme were identified in the Government's pre-election costings document.

INFRASTRUCTURE AND REGIONAL DEVELOPMENT

AusLink Programme — National Land Transport Projects

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	1,072.5	1,554.1	1,755.3	-110.6
Department of Infrastructure and Regional Development	-	-19.7	458.8	65.0	20.0
Total — Expense	-	1,052.8	2,012.9	1,820.3	-90.6

The Government will provide an additional \$8.2 billion over six years (including \$1.6 billion in 2017-18 and \$1.8 billion in 2018-19) for land transport infrastructure projects. This additional funding will encompass the remaining period of the current National Partnership Agreement and the next National Partnership Agreement from 2014-15 to 2018-19, and brings the total funding to be provided over the period 2013-14 to 2018-19 to \$34.5 billion.

Significant projects to be funded under the AusLink programme, include the:

- Bruce Highway (Queensland);
- Gateway Upgrade North (Queensland);
- Toowoomba Range Crossing (Queensland);
- Pacific Highway (New South Wales);
- South Road Upgrade (South Australia);
- East West Link (Victoria);
- Sydney Motorways Programme (WestConnex) — M4 and M5 extension (New South Wales);
- F3 to M2 (New South Wales);
- Midland Highway (Tasmania);
- Warrego Highway (Queensland);
- Melbourne to Brisbane Inland Rail;
- Princes Highway Duplication (Victoria);
- Perth Airport Gateway (Western Australia);
- Swan Valley Bypass (Western Australia);

Appendix A: Policy decisions taken since the 2013-14 Budget

- F3 Productivity Package (New South Wales);
- Tiger Brennan Drive Widening (Northern Territory);
- Great Ocean Road (Victoria);
- Ravenswood Interchange (Victoria); and
- Ipswich Motorway – Rocklea to Darra (Queensland).

The Government's funding also includes \$9.5 billion over six years for transport infrastructure programmes, including:

- Roads to Recovery;
- Road Safety Blackspots;
- Network Regeneration: Maintenance;
- Heavy Vehicle Safety and Productivity;
- Bridges Renewal Program; and
- Planning, Research and Evaluation.

Funds will be redirected towards meeting the cost of significant projects through savings from the Government cancelling the *Liveable Cities/Liveable Communities* programme and from no longer providing funding for the following projects:

- Parramatta Epping Rail Link;
- Hobart Light Rail;
- Melbourne Metro;
- Tonsley Park Public Transport Project;
- Brisbane Cross River Rail;
- Perth Public Transport Package;
- Gawler Rail Line Electrification;
- Adelaide Transport Movement Study;
- Perth Airport Planning; and

Appendix A: Policy decisions taken since the 2013-14 Budget

- raising the southern approach to the Mulgrave River Bridge.

A new National Partnership Agreement with the States and Territories is being negotiated which may result in a revised expenditure profile.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Final update on Federal Coalition Election Policy Commitments*.

AusLink Programme — Reinstated National Land Transport Projects

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	10.0	144.0	386.8	244.9
Department of Infrastructure and Regional Development	-	-	-	-	-
Total — Expense	-	10.0	144.0	386.8	244.9

The Government will provide \$995.7 million over six years (including \$160.0 million in 2017-18 and \$50.0 million in 2018-19) to fund infrastructure projects previously funded under the Regional Infrastructure Fund. The Government will fund these productivity enhancing projects without the failed minerals resource rent tax.

Funding will be provided to the following projects:

- Newcastle Port — Kooragang Island (New South Wales);
- Mt Ousley Upgrades (New South Wales);
- North West Coastal Highway — Minilya to Barradale (Western Australia);
- Great Northern Highway — Muchea to Wubin (Western Australia);
- Cape York Region Package (Queensland);
- Anangu Pitjanjatjara Yankunytjatjara (APY) Lands (South Australia);
- Bolivia Hill (New South Wales); and
- Scone Level Crossing (New South Wales).

Appendix A: Policy decisions taken since the 2013-14 Budget

Aviation Safety Regulation Review

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Infrastructure and Regional Development	-	1.0	-	-	-

The Government will provide \$1.0 million to fund an external review of aviation safety and regulation in Australia.

The aviation safety regulation review will be undertaken by a panel of three eminent and experienced members of the international aviation community with the support of a Secretariat from within the Department of Infrastructure and Regional Development.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 14 November 2013 issued by the Minister for Infrastructure and Regional Development.

Community Development Grants programme — establishment

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Infrastructure and Regional Development	-	22.0	160.0	140.0	20.0

The Government will provide \$342.0 million over four years to fund the *Community Development Grants* programme to deliver projects in regional Australia as well as provide funding for other selected regional projects and selected community infrastructure projects.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 4 December 2013 issued by the Minister for Infrastructure and Regional Development.

Community Infrastructure Grants — cessation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Infrastructure and Regional Development	-	-27.9	-17.7	-	-

The Government will achieve savings of \$45.5 million over two years by withdrawing the remaining funding for the Community Infrastructure Grants measure announced in the *Mid-Year Economic and Fiscal Outlook 2010-11*.

The Government will instead fund community infrastructure projects through the *Community Development Grants* programme.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Appendix A: Policy decisions taken since the 2013-14 Budget

Keys2Drive — extension

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Infrastructure and Regional Development	-	2.0	4.0	4.0	-

The Government will provide an additional \$10.0 million over three years to support the Keys2Drive programme.

Keys2Drive is a learner driver education programme provided by the Australian Automobile Association and state motoring clubs. It provides each participating learner driver, and their supervising driver (usually a parent), with a free coaching session from a professional driving instructor.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy to Improve Road Safety*.

Latrobe Valley economic diversification — reduction

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Infrastructure and Regional Development	-	2.0	3.7	-0.2	-3.9
Department of Industry	-	-5.0	-0.5	-	-
Total — Expense	-	-3.0	3.2	-0.2	-3.9

The Government will achieve savings of \$9.6 million over six years from 2013-14 by partially reversing the *Latrobe Valley economic diversification* measure published in the *2013 Economic Statement*.

The Government will continue funding of \$10.9 million over six years from 2013-14 for the following projects to support economic diversification in the Latrobe Valley, Victoria:

- \$7.5 million for the Moe Rail Revitalisation Project, with contributions from the Victorian Government (\$4.0 million) and the Latrobe City Council (\$2.9 million); and
- \$3.4 million for the Warragul Station Precinct Project to which the Victorian Government has committed a further \$22.7 million.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Lord Howe Island aerodrome improvement works — reversal

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Infrastructure and Regional Development	-	-1.0	-3.0	-	-

The Government will achieve savings of \$4.0 million over two years by not proceeding with funding for the *Lord Howe Island aerodrome improvement works* measure, announced in the *2013 Economic Statement*.

The Government will instead fund improvements to the Lord Howe Island aerodrome project through the *Community Development Grants* programme.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Payment scheme for Airservices Australia en-route charges

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Infrastructure and Regional Development	-	0.5	1.0	1.0	1.0

The Government will provide an additional \$3.5 million over four years to fund a payment scheme for Airservices Australia's (AA) en-route navigation charges incurred by airlines operating commercial services to targeted regional and remote areas. Under the scheme, a qualifying airline operator will receive a partial reimbursement of AA en-route navigation charges to help support low volume and new routes to small and remote communities.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for Aviation*.

Regional and Rural Research and Development Grants — cessation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Infrastructure and Regional Development	-	-0.2	-0.2	-0.2	-0.2

The Government will achieve savings of \$0.9 million over four years by ceasing the Regional and Rural Research and Development Grants programme.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Appendix A: Policy decisions taken since the 2013-14 Budget

Regional development projects in Northern Australia — reversal

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Infrastructure and Regional Development	-	-8.5	-13.7	-9.0	-2.0

The Government will achieve savings of \$33.2 million over four years by not proceeding with funding for the *Regional Development Projects in Northern Australia* measure announced in the *2013 Economic Statement*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

PARLIAMENT

Department of Parliamentary Services — additional operating funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Parliamentary Services	-	5.5	-	-	-

The Government will provide the Department of Parliamentary Services with an additional \$5.5 million to assist in meeting operating expenditure and to maintain the provision of core services to support the operations of Parliament.

PRIME MINISTER AND CABINET

Better employment outcomes for Indigenous Australians

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Prime Minister and Cabinet	-	20.0	25.0	-	-

The Government will provide \$45.0 million over two years to establish at least four Vocational Training and Employment Centres to provide up to 5,000 Indigenous Australians with practical training and guaranteed employment.

Based on the GenerationOne model, these centres will provide Indigenous job seekers with training and support to prepare for available job opportunities. The centres will be established in areas where there is high demand for Indigenous employees and a significant population of Indigenous job seekers.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy on Indigenous Employment*.

Community Cabinet — discontinue

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Prime Minister and Cabinet	-	-3.2	-3.3	-3.3	-3.3

The Government will achieve savings of \$13.1 million over four years by not proceeding with funding to the Department of the Prime Minister and Cabinet for the *Community Cabinet* programme.

The saving from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

This measure implements the savings announced in the Government's pre-election costings document.

Appendix A: Policy decisions taken since the 2013-14 Budget

Coordinator-General for Remote Indigenous Services — cessation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Prime Minister and Cabinet	-	-	-2.4	-2.4	-2.4

The Government will achieve savings of \$7.1 million over three years by ceasing funding for the Coordinator-General for Remote Indigenous Services. The role and function of the Coordinator-General will conclude when the appointment of the current Coordinator-General expires on 31 January 2014.

The savings from this measure will be redirected by the Government to help repair the Budget and fund policy priorities.

Economic Competitiveness Fund — discontinue

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Prime Minister and Cabinet	-	-51.6	-30.0	-30.0	-30.0

The Government will achieve savings of \$141.6 million over four years by not proceeding with funding for the Economic Competitiveness Fund announced in the *Pre-election Economic and Fiscal Outlook 2013*.

This funding was identified by the former Government to fund its election commitments and will be redirected by the Government to help repair the Budget and fund policy priorities.

Empowered Communities — design phase

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Prime Minister and Cabinet	-	-	-	-	-

The Government will provide \$5.0 million over two years from 2013-14 to support the design of a new model of Indigenous policy and service delivery based on the Empowered Communities model developed by Jawun Indigenous Corporate Partnerships.

The Empowered Communities model seeks to achieve reform by ensuring Indigenous people have a greater say in responding to local issues and on delivering improvements to the health, safety and economic outcomes of Indigenous communities.

The cost of this measure will be met from within the existing resources of the Department of the Prime Minister and Cabinet.

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This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for Indigenous Affairs*.

Establishment and support of the Prime Minister's Indigenous Advisory Council

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Prime Minister and Cabinet	-	0.3	0.3	0.3	0.3

The Government will provide \$1.0 million over four years to establish and support the Prime Minister's Indigenous Advisory Council.

The Council will have a central role in advising the Government on Indigenous matters, primarily by providing strategic policy advice to the Prime Minister and the Minister for Indigenous Affairs on a wide range of issues. It will also advise on specific Indigenous policy and programme matters referred to it by the Government.

The Council will engage and consult with stakeholders outside the Commonwealth Government, including State and Territory governments, Indigenous leaders and advocacy groups, community members, business representatives and academics.

This measure delivers on the Government's election commitment.

Further information can be found in the *Coalition's Policy for Indigenous Affairs*.

Remote school attendance strategy

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Prime Minister and Cabinet	-	-	-	-	-

The Government will provide \$28.4 million over two calendar years from 1 January 2014 for a remote school attendance strategy to improve the attendance of children in 40 remote Indigenous communities across the Northern Territory, Western Australia, South Australia, Queensland and New South Wales.

This strategy will provide school attendance assistance which focuses on supporting families and communities to make sure children attend school. This strategy will commence from the first term of 2014.

The cost of this measure will be met from within the existing resources of the *Remote Jobs and Communities Programme* and the *Indigenous Communities Strategic Investment Programme*.

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Re-opening access to the Indigenous Employment Programme in remote areas

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Prime Minister and Cabinet	-	-	-	-	-

The Government will re-open access to the *Indigenous Employment Programme* for employers in remote Australia by redirecting up to \$40 million of existing programme funding over two years from 2013-14. This funding will ensure that employers can access the support they need in order to offer employment and training to Indigenous people.

Further information can be found in the press release of 29 November 2013 issued by the Minister for Indigenous Affairs.

SOCIAL SERVICES

Aged Care Service Improvement and Healthy Ageing Grants Flexible Fund — redirection of funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Social Services	-	-	-10.0	-10.0	-

The Government will redirect \$20.0 million over two years from the Aged Care Service Improvement and Healthy Ageing Grants Flexible Fund.

This funding was identified as a saving by the former Government to fund its election commitments and will be redirected by the Government to repair the Budget and fund policy priorities.

Building Better Regional Cities — redirection of funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Social Services	-	-1.2	-	-	-

The Government will redirect funding of \$1.2 million from the *Building Better Regional Cities* programme to the *Community Development Grants* programme, which will support around 300 community projects promoting stable, secure and viable local and regional economies.

Savings from this programme were identified in the Government's pre-election costings document.

Building Multicultural Communities Programme — cessation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Social Services	-	-11.5	-	-	-
Total — Expense	-	-11.5	-	-	-

The Government will achieve savings of \$11.5 million by not proceeding with funding for the *Building Multicultural Communities* programme, announced in 2013-14 Budget and extended in the 2013 *Economic Statement*.

This funding was identified by the former Government to fund its election commitments and will be redirected by the Government to repair the Budget and fund policy priorities.

Cessation of the trial of mandatory pre-commitment technology in the Australian Capital Territory

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Social Services	-	-21.6	-22.0	-	-

The Government will achieve savings of \$43.6 million over two years by ceasing funding for the trial of mandatory pre-commitment technology on gaming machines in the Australian Capital Territory which was announced in the 2012-13 Budget measure titled *Tackling Problem Gambling – trial of mandatory pre-commitment technology in the Australian Capital Territory*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

This measure implements the savings announced in the Government's pre-election costings document.

Community Investment Programme — redirection of funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Social Services	-	-0.1	-5.9	-3.2	-3.2

The Government will achieve savings of \$12.5 million over four years by redirecting funds from the *Community Investment* programme. The remaining funding for the programme is \$180.7 million over four years from 2013-14.

The programme provides funding to improve the responsiveness and integration of local community services to increase participation of vulnerable people in community life.

This funding was identified as a saving by the former Government to fund its election commitments and will be redirected by the Government to help repair the Budget and fund policy priorities.

Family and Parental Payments — extend period for receiving payments overseas

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Social Services	-	-	0.4	0.5	0.5

The Government will provide \$1.3 million over three years to extend the allowed period of temporary absence from Australia for accessing certain family and parental payments from one year to 56 weeks from 1 July 2014. This proposal amends the 2013-14 Budget measure titled *Family and Parental Payments – change to rules for receiving payments overseas*, which reduced the period of absence from three years to one year. Affected payments include Family Tax Benefit and Paid Parental Leave.

Appendix A: Policy decisions taken since the 2013-14 Budget

Australian Defence Force and Australian Federal Police personnel deployed overseas will not be affected by this measure and will continue to be able to access payments while overseas for up to three years.

Financial Management Programme — redirection of funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Social Services	-	-3.6	-1.9	-0.7	-

The Government will achieve savings of \$6.2 million over three years by redirecting funding from the *Financial Management* programme. The remaining funding for the programme is \$403.0 million over four years from 2013-14.

The programme provides funding for services to improve the financial knowledge, skills, capabilities and financial resilience of vulnerable individuals and families, to alleviate the immediate impact of financial stress, and to progress initiatives in relation to problem gambling.

This funding was identified as a saving by the former Government to fund its election commitments and will be redirected by the Government to help repair the Budget and fund policy priorities.

Insight Education Centre for the Blind and Vision Impaired — contribution

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Social Services	-	-	-	-	-

The Government will provide \$1.5 million in 2013-14 to enable the completion of the Insight Education Centre for the Blind and Vision Impaired in Victoria. This funding will ensure the recommencement of the building works so the specialist school can open for the first term of 2014.

The cost of this measure will be met from within the existing resources of the Department of Social Services.

This measure delivers on the Government's election commitment.

National Gambling Regulator — cessation

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Social Services	*	*	*	*	*

The Government will cease funding for the National Gambling Regulator, announced in the 2013-14 Budget measure titled *Tackling Problem Gambling — establishing the National Gambling Reform Regulator*.

This measure delivers on the Government's election commitment.

Paid Parental Leave — removing the mandatory obligation for employers to administer payments

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Social Services	-	-	-	-	-
Department of Human Services	-	-1.3	-0.2	-0.2	-0.3
Total — Expense	-	-1.3	-0.2	-0.2	-0.3
<i>Related capital (\$m)</i>					
Department of Human Services	-	-1.3	-	-	-

The Government will remove the requirement for all employers to make Government funded Paid Parental Leave payments to eligible employees from 1 March 2014. Payments will then be made by the Department of Human Services. Employers will still be able to elect to make payments to employees, with the employee's agreement.

This measure will reduce administrative complexity and save \$3.4 million over four years.

This measure amends the *Pre-Election Economic and Fiscal Outlook 2013* measure titled *Improved operating environment for small and medium enterprises* by expanding the removal of the mandatory role to all employers.

Repeal of the Minerals Resource Rent Tax — cessation of certain social security payments

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Human Services	-	7.6	-3.0	-3.6	-5.0
Department of Agriculture	-	-0.1	-	-	-
Department of Veterans' Affairs	-	-0.1	-0.2	-0.2	-0.2
Department of Social Services	-	-1,354.6	-1,634.0	-1,646.3	-1,666.5
Total — Expense	-	-1,347.2	-1,637.3	-1,650.1	-1,671.7
<i>Related capital (\$m)</i>					
Department of Human Services	-	-	-0.3	-	-

The Government will achieve savings of \$6.3 billion over four years by immediately ceasing certain payments to individuals and families as part of the legislative package to repeal the minerals resource rent tax (MRRT). The need for these savings has arisen as the proceeds of the MRRT have not raised enough money to cover the expenses locked in against the tax.

Appendix A: Policy decisions taken since the 2013-14 Budget

These payments are:

- the Schoolkids Bonus, a yearly payment of \$820 for each child in secondary school and \$410 for each child in primary school, made in two equal instalments in January and July to eligible families, saving \$5.2 billion over four years; and
- the Income Support Bonus, a twice-yearly payment in March and September of \$105.80 for singles and \$88.20 for members of a couple receiving eligible payments and allowances, saving \$1.1 billion over four years.

See also the related revenue measures titled *Repeal of the Minerals Resource Rent Tax* in the Treasury Portfolio.

This measure implements the savings announced in the Government's pre-election costings document.

White Ribbon Campaign — contribution

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Social Services	-	-	-	-	-

The Government will provide \$1.0 million over four years from 2013-14 to support the White Ribbon Campaign. White Ribbon Australia is working to develop a culture of gender equality and respect. This funding will be used to expand the White Ribbon Campaign to support engagement from culturally and linguistically diverse communities — particularly new and emerging communities.

The cost of this measure will be met from within the existing resources of the Department of Social Services.

This measure delivers on the Government's election commitment.

TREASURY

Financial System Inquiry

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	-	-	-	-
<i>Related capital (\$m)</i>					
<i>Department of the Treasury</i>	-	-	-	-	-

The Government will undertake a review of Australia's financial system. The inquiry will make recommendations to foster an efficient, competitive and flexible financial system, consistent with financial stability, prudence, integrity and fairness. Funding for the inquiry will be determined in due course.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 20 November 2013 issued by the Prime Minister and the Treasurer.

National Insurance Affordability Initiative — reduction

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	-5.8	-4.4	-	-

The Government will achieve savings of \$10.2 million over two years by reducing the amount of uncommitted funding available under the National Insurance Affordability Initiative (NIAI).

The NIAI was established with the intention of funding targeted flood and other natural disaster mitigation measures in order to reduce insurance premiums. This reduction will not affect any of the projects on which negotiations are already underway.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Appendix A: Policy decisions taken since the 2013-14 Budget

Priority consumer focused superannuation activities

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	-1.0	-	-	-

The Government will achieve savings of \$1.0 million by not proceeding with funding for the *Priority consumer focused superannuation activities* measure, announced in the *Pre-election Economic and Fiscal Outlook 2013*.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

Reducing superannuation compliance costs for small business

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Taxation Office	-	1.2	6.1	6.2	6.2
Department of Human Services	-	-1.2	-6.1	-6.2	-6.2
Total — Expense	-	-	-	-	-

The Government will reduce red tape for small business by transferring the Small Business Superannuation Clearing House to the Australian Taxation Office (ATO) from April 2014.

This measure will make it easier for small business to meet their superannuation obligations as they already have frequent interaction with the ATO.

As a second step to reducing the superannuation compliance burden on small business the Government will undertake an extensive consultation process to better understand the superannuation compliance burden on small business employers and identify further options.

This measure delivers on the Government's election commitment.

Repeal of the Minerals Resource Rent Tax — Regional Infrastructure Fund and Regional Development Australia Fund — discontinue

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Infrastructure and Regional Development	-	-143.1	-229.2	-75.4	-32.8
Department of the Treasury	-	-183.7	-757.7	-546.2	-713.9
Total — Expense	-	-326.8	-986.9	-621.6	-746.7

The Government will achieve savings of \$2.7 billion over the forward years by not proceeding with the Regional Infrastructure Fund and uncommitted Regional Development Australia Fund projects, which are measures associated with the minerals resource rent tax.

This measure implements the savings announced in the Government's pre-election costings document.

Repeal the tax bonus for working Australians

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Taxation Office	-	-	-	-	-

The Government will repeal the *Tax Bonus for Working Australians Act (No. 2) 2009* (the Tax Bonus Act) to ensure that the Australian Taxation Office (ATO) does not issue any further cheques for tax bonus payments.

Tax bonus payments of up to \$900 were made to Australian residents who paid tax in the 2007-08 income year and met certain income tests. The payments were designed to provide stimulus to the Australian economy at the height of the Global Financial Crisis. Most payments were made in 2009, however a small number of cheques continue to be issued by the ATO.

The Government considers that issuing of further cheques is no longer warranted, and as such there is an opportunity to remove government waste. To ensure that further tax bonus cheques cannot be issued by the ATO, the Government will repeal the Tax Bonus Act. The repeal will take effect from the day after Royal Assent.

This measure will have no impact on expenses but will provide cash savings of \$0.3 million in 2014-15.

Further information can be found in the press release of 8 December 2013 issued by the Treasurer.

Review of competition laws and policy

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	1.0	1.4	-	-

The Government will provide additional funding of \$2.5 million over two years to the Department of the Treasury to support the costs of a comprehensive review of competition laws and policy. The review will examine competition laws and policy and consider broad competition issues, with the goal of delivering more competitive markets and contributing to productivity gains.

The competition review will examine not only the current laws but the broader competition framework, to increase productivity and efficiency in markets, drive benefits to ease cost of living pressures and raise living standards for all Australians.

The 'root and branch' review will help identify ways to build the economy and promote investment, growth and job creation.

This measure delivers on the Government's election commitment.

Further information can be found in the press release of 4 December 2013 issued by the Prime Minister and the Minister for Small Business.

Appendix A: Policy decisions taken since the 2013-14 Budget

Simplified indexation of the private health insurance Government contribution

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Taxation Office	-	0.9	0.9	0.7	0.5
<i>Related capital (\$m)</i>					
Australian Taxation Office	-	0.1	-	-	-

The Government will provide \$3.0 million over four years to the Australian Taxation Office to implement necessary information technology changes to facilitate a simplified implementation of the *Mid-Year Economic and Fiscal Outlook 2012-13* measure titled *Private Health Insurance Rebate – indexing the Government's contribution*.

From 1 April 2014, a single rebate adjustment factor will be applied to all insurance products to adjust the rebate percentage received by individuals. This change will reduce the regulatory burden for private health insurers.

The cost of this measure will be offset from savings within the Health portfolio.

Strengthening the Reserve Bank Reserve Fund

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of the Treasury	-	8,800.0	-	-	-

The Government will provide a one-off \$8.8 billion grant to the Reserve Bank of Australia (RBA) to meet its request to strengthen its financial position to the level considered appropriate by the RBA Board. The grant will ensure that the RBA is adequately resourced to conduct its monetary policy and foreign exchange operations in an environment of financial market volatility.

Further information can be found in the press release of 23 October 2013 issued by the Treasurer.

Superannuation advertising savings

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Australian Taxation Office	-	-1.0	-0.5	-0.5	-

The Government will achieve savings of \$2.0 million over three years by streamlining the superannuation reforms' advertising campaign managed by the Australian Taxation Office.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

VETERANS' AFFAIRS

Anzac Centenary Local Grants programme — additional funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Veterans' Affairs	-	3.8	-	-	-

The Government will provide an additional \$3.8 million to increase the maximum funds available under the *Anzac Centenary Local Grants* programme from \$100,000 to \$125,000 for each Federal electorate.

This additional funding will ensure that Australian communities have an enhanced opportunity to commemorate the deeds of local people in the service of their nation.

Further information can be found in the statement made in the Senate by the Minister for Veterans' Affairs and the Minister Assisting the Prime Minister for the Centenary of ANZAC on 14 November 2013.

Anzac Centenary Programme 2014-18 — Anzac Interpretive Centre Albany — additional funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Veterans' Affairs	-	1.0	-	-	-

The Government will provide an additional \$1.0 million in 2013-14 to facilitate the completion of the Anzac Interpretative Centre at Albany, Western Australia, in time for Anzac Centenary commemorations in 2014.

Further information can be found in the statement of 14 November 2013 issued by the Minister for Veterans' Affairs and the Minister Assisting the Prime Minister for the Centenary of ANZAC.

Building Excellence in Support and Training — restore funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Veterans' Affairs	-	-	1.0	1.0	1.0

The Government will provide \$3.0 million over three years from 1 July 2014 to restore veterans' advocacy funding through the *Building Excellence in Support and Training* programme to its 2010 levels. This measure supports the work of veteran's advocates, and welfare and pension officers, around Australia.

This measure delivers on the Government's election commitment.

Appendix A: Policy decisions taken since the 2013-14 Budget

Saluting Their Service programme — additional funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Veterans' Affairs	-	-	-	-	-

The Government will redirect funding of \$1.2 million over four years from the *Veteran and Community Grants* programme to the *Saluting Their Service* programme, to provide additional support for commemoration activities during the Centenary of Anzac 2014.

See also the related expense measure titled *Training and Information Programme — additional funding* in the Veterans' Affairs portfolio.

Training and Information Programme — additional funding

Expense (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Veterans' Affairs	-	-	-	-	-

The Government will redirect funding of \$0.9 million over four years from the *Veteran and Community Grants* programme to the *Training and Information* programme, to improve the quality of training provided to veterans' advocates and to welfare and pension officers.

See also the related expense measure titled *Saluting Their Service programme — additional funding* in the Veterans' Affairs portfolio.

Capital Measures

Table 3: Capital measures since the 2013-14 Budget^(a)

Page		2012-13	2013-14	2014-15	2015-16	2016-17
		\$m	\$m	\$m	\$m	\$m
	Capital measures since the 2013 Pre-Election Economic and Fiscal Outlook					
	ATTORNEY-GENERAL'S					
	<i>Attorney-General's Department</i>					
121	Royal Commission into the Home Insulation Programme(b)	-	0.1	-	-	-
	<i>Australian Crime Commission</i>					
120	Operation Sovereign Borders — enhancing people smuggling intelligence gathering, disruption and joint policing(b)	-	-	-	-	-
	<i>Australian Federal Police</i>					
120	Operation Sovereign Borders — enhancing people smuggling intelligence gathering, disruption and joint policing(b)	-	1.0	0.2	-	-
	<i>Australian Security Intelligence Organisation</i>					
120	Operation Sovereign Borders — enhancing people smuggling intelligence gathering, disruption and joint policing(b)	-	0.1	-	-	-
	Portfolio total	-	1.2	0.2	-	-
	COMMUNICATIONS					
	<i>Department of Communications</i>					
201	National Broadband Network — revised investment	-	-	-	-	-
	<i>Special Broadcasting Service Corporation</i>					
201	Special Broadcasting Service Corporation — short-term loan	-	-	-	-	-
	Portfolio total	-	-	-	-	-
	EMPLOYMENT					
	<i>Department of Employment</i>					
141	Green Army — establishment(b)	-	0.3	-	-	-
135	Job Commitment Bonus — establishment(b)	-	-	-	-	-
137	Relocation Assistance to Take up a Job programme — establishment(b)	-	0.3	-	-	-
138	Seniors Employment Incentive Payment — establishment(b)	-	0.5	-	-	-
139	Tasmanian Jobs programme — pilot(b)	-	0.1	-	-	-
	Portfolio total	-	1.2	-	-	-

Table 3: Capital measures since the 2013-14 Budget^(a) (continued)

Page		2012-13	2013-14	2014-15	2015-16	2016-17
		\$m	\$m	\$m	\$m	\$m
	ENVIRONMENT					
	<i>Department of the Environment</i>					
145	Water — rephase four years of spending over six years(b)	-	-31.8	-109.5	-188.2	-220.4
	Portfolio total	-	-31.8	-109.5	-188.2	-220.4
	FINANCE					
	<i>Department of Finance</i>					
96	Restoring integrity in the Australian tax system(c)	-	-0.2	-1.2	-	-
202	Urgent Maintenance Work for the John Gorton Building — additional funding	-	-	nfp	nfp	nfp
	Portfolio total	-	-0.2	-1.2	-	-
	FOREIGN AFFAIRS AND TRADE					
	<i>Australian Secret Intelligence Service</i>					
120	Operation Sovereign Borders — enhancing people smuggling intelligence gathering, disruption and joint policing(b)	-	0.7	2.4	-	-
	<i>Department of Foreign Affairs and Trade</i>					
150	Discontinue the establishment of Australia's diplomatic post — Senegal(b)	-	-0.2	..	-6.7	-4.3
	Portfolio total	-	0.4	2.4	-6.7	-4.3
	HUMAN SERVICES					
	<i>Department of Human Services</i>					
135	Job Commitment Bonus — establishment(b)	-	0.4	2.9	0.8	-
189	Paid Parental Leave — removing the mandatory obligation for employers to administer payments(b)	-	-1.3	-	-	-
137	Relocation Assistance to Take up a Job programme — establishment(b)	-	-	-	-	-
189	Repeal of Minerals Resource Rent Tax — cessation of certain social security payments(b)	-	-	-0.3	-	-
	Portfolio total	-	-1.0	2.6	0.8	-

Table 3: Capital measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	IMMIGRATION AND BORDER PROTECTION					
	<i>Australian Customs and Border Protection Service</i>					
169	Tackling Crime — increased cargo and mail screening at the border(b)	-	4.2	2.4	7.0	-
	<i>Department of Immigration and Border Protection</i>					
162	2013-14 Humanitarian Programme(b)	-	..	-	-	-
163	Addressing the Backlog and Reintroducing Temporary Protection Visas(b)	-	3.6	-	-	-
164	Enhancing Border Controls and Improving Identity Management(b)	-	1.0	2.3	1.1	-
165	Offshore Processing for Illegal Maritime Arrivals(b)	-	165.6	202.3	-	-
167	Operation Sovereign Borders — joint agency taskforce(b)	-	1.1	-	-	-
	Portfolio total	-	175.5	207.0	8.1	-
	INDUSTRY					
	<i>Department of Industry</i>					
141	Former Department of Climate Change and Energy Efficiency — reduction in funding(b)	-	-1.0	-3.1	-3.1	-3.1
	Portfolio total	-	-1.0	-3.1	-3.1	-3.1
	PRIME MINISTER AND CABINET					
	<i>Department of the Prime Minister and Cabinet</i>					
137	Relocation Assistance to Take up a Job programme — establishment(b)	-	-	-	-	-
	Portfolio total	-	-	-	-	-

Appendix A: Policy decisions taken since the 2013-14 Budget

Table 3: Capital measures since the 2013-14 Budget^(a) (continued)

Page		2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
	TREASURY					
	<i>Australian Taxation Office</i>					
94	Repeal of the Minerals Resource Rent Tax — abolishing related tax and superannuation measures(c)	-	-	-	-1.5	-
96	Restoring integrity in the Australian tax system(c)	-	-1.1	-2.7	-	-
194	Simplified indexation of the private health insurance Government contribution(b)	-	0.1	-	-	-
	<i>Clean Energy Finance Corporation</i>					
144	Repeal of the Carbon Tax — abolishing other measures(b)	-	-0.1	-0.3	-0.3	-0.3
	<i>Department of the Treasury</i>					
191	Financial System Inquiry(b)	-	-	-	-	-
	Portfolio total	-	-1.1	-2.9	-1.8	-0.3
	Decisions taken but not yet announced	-	140.1	190.5	103.1	69.0
	Depreciation expense	-	-0.2	-1.0	-2.5	-2.5
	Total capital measures since the 2013 Pre-Election Economic and Fiscal Outlook(d)	-	283.2	285.1	-90.2	-161.5
	Total impact of capital measures reported in the 2013 Economic Statement and the 2013 Pre-Election Economic and Fiscal Outlook(d)	-0.2	313.6	-2.6	-2.0	-2.3
	Total impact of all capital measures since the 2013-14 Budget(d)	-0.2	596.8	282.5	-92.2	-163.8

* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

(a) A minus sign before an estimate indicates a reduction in capital, no sign before an estimate indicates increased capital.

(b) These measures can also be found in the expense measures summary table.

(c) These measures can also be found in the revenue measures summary table.

(d) Measures may not add due to rounding.

COMMUNICATIONS

National Broadband Network — revised investment

Capital (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Communications	-	-	-	-	-

The Government will cap equity funding to NBN Co Limited (NBN Co) at \$29.5 billion, consistent with the Government's election commitment.

The allocation of the Government's investment over the forward estimates will be determined following the outcome of the Strategic Review and the finalisation of NBN Co's 2014-17 Corporate Plan.

The decreased investment does not have a direct impact on the underlying cash or fiscal balances. Any reduction in public debt interest cost as a consequence of any reduced borrowing by the Government would impact on the underlying cash and fiscal balance, and is accounted for separately in the Budget estimates.

Special Broadcasting Service Corporation — short-term loan

Capital (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Special Broadcasting Service Corporation	-	-	-	-	-

The Government will provide a \$20.0 million loan to the Special Broadcasting Service Corporation (SBS) to support SBS's coverage of the 2014 FIFA World Cup. The loan will be drawn down and repaid in full with interest by 31 July 2014.

The provision of loans from the Budget only affects the composition of the Commonwealth's financial assets. As such this measure has no impact on the fiscal balance.

FINANCE

Urgent Maintenance Work for the John Gorton Building — additional funding

Capital (\$m)	2012-13	2013-14	2014-15	2015-16	2016-17
Department of Finance	-	-	nfp	nfp	nfp

The Government will fully fund the remediation of the facade of the John Gorton Building in the Parliamentary Triangle, Canberra.

The maintenance work will ensure compliance with the Building Code of Australia, the *Workplace Health and Safety Act 2011* and the *Environment Protection and Biodiversity Protection Act 1997*. This measure extends on the 2013-14 Budget measure titled *Maintenance work for the Lodge and the John Gorton Building*.

The cost of this measure is not for publication due to commercial-in-confidence considerations.

APPENDIX B: AUSTRALIAN GOVERNMENT BUDGET FINANCIAL STATEMENTS

The Mid-Year Economic and Fiscal Outlook (MYEFO) financial statements consist of an operating statement, including other economic flows, a balance sheet, and a cash flow statement for the Australian Government general government sector (GGS), the public non-financial corporations (PNFC) sector and the total non-financial public sector (NFPS). This statement also contains notes showing disaggregated information for the GGS.

The *Charter of Budget Honesty Act 1998* (the Charter) requires that MYEFO be based on external reporting standards and that departures from applicable external reporting standards be identified.

The Government has produced a single set of financial statements that comply with both the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS), meeting the requirement of the Charter, with departures disclosed. The financial statements for MYEFO have been prepared on a basis consistent with the 2013-14 Budget. The statements reflect the Government's accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

The Australian, State and Territory governments have an agreed framework – the Uniform Presentation Framework (UPF) – for the presentation of government financial information on a basis broadly consistent with the Australian Accounting Standards Board standard AASB 1049. The financial statements are consistent with the requirements of the UPF.

In accordance with the UPF requirements, this statement also contains an update of the Australian Government's Loan Council Allocation.

AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

Table B1: Australian Government general government sector operating statement

	Note	Estimates		Projections	
		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Revenue					
Taxation revenue	3	351,434	366,356	394,705	421,066
Sales of goods and services	4	8,680	8,496	8,687	8,788
Interest income	5	3,730	4,060	4,364	4,680
Dividend income	5	3,792	2,448	2,657	3,352
Other	6	6,286	6,522	7,010	7,146
Total revenue		373,922	387,882	417,423	445,032
Expenses					
Gross operating expenses					
Wages and salaries(a)	7	19,815	19,618	19,730	20,384
Superannuation	7	5,304	4,117	4,209	4,180
Depreciation and amortisation	8	6,426	6,528	6,687	6,884
Supply of goods and services	9	74,514	79,091	82,272	83,968
Other operating expenses(a)	7	5,647	5,860	6,068	6,140
<i>Total gross operating expenses</i>		<i>111,706</i>	<i>115,214</i>	<i>118,966</i>	<i>121,554</i>
Superannuation interest expense	7	8,197	8,838	9,160	9,495
Interest expenses	10	14,926	16,390	18,184	19,224
Current transfers					
Current grants	11	118,955	125,314	130,783	139,703
Subsidy expenses		15,345	12,064	12,222	13,019
Personal benefits	12	122,784	127,791	136,262	146,477
<i>Total current transfers</i>		<i>257,085</i>	<i>265,169</i>	<i>279,268</i>	<i>299,198</i>
Capital transfers	11				
Mutually agreed write-downs		2,382	2,656	2,890	3,120
Other capital grants		17,764	9,491	7,551	4,518
<i>Total capital transfers</i>		<i>20,146</i>	<i>12,147</i>	<i>10,441</i>	<i>7,638</i>
Total expenses		412,060	417,758	436,019	457,110
Net operating balance		-38,137	-29,876	-18,596	-12,078
Other economic flows - included in operating result					
Net write-downs of assets					
(including bad and doubtful debts)		-6,016	-6,732	-7,219	-7,697
Assets recognised for the first time		456	475	495	515
Liabilities recognised for the first time		0	0	0	0
Actuarial revaluations		0	0	0	0
Net foreign exchange gains		60	160	126	136
Net swap interest received		-499	0	0	0
Market valuation of debt		7,371	-414	-781	-886
Other gains/(losses)		5,672	5,821	6,662	3,498
Total other economic flows - included in operating result		7,043	-689	-716	-4,434
Operating result(b)		-31,094	-30,565	-19,312	-16,512
Non-owner movements in equity					
Revaluation of equity investments		6,430	-281	0	0
Actuarial revaluations		10	181	218	252
Other economic revaluations		865	271	88	1,148
Total other economic flows - included in equity		7,305	171	306	1,400
Comprehensive result -					
Total change in net worth		-23,789	-30,394	-19,007	-15,113

Table B1: Australian Government general government sector operating statement (continued)

	Note	Estimates		Projections	
		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Net operating balance		-38,137	-29,876	-18,596	-12,078
Net acquisition of non-financial assets					
Purchases of non-financial assets		10,154	9,943	9,550	9,258
less Sales of non-financial assets		452	2,240	2,704	231
less Depreciation		6,426	6,528	6,687	6,884
plus Change in inventories		280	237	318	365
plus Other movements in non-financial assets		150	216	-297	-131
Total net acquisition of non-financial assets		3,706	1,628	180	2,378
Fiscal balance (Net lending/borrowing)(c)		-41,843	-31,504	-18,776	-14,456

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) Operating result under AAS.

(c) The term fiscal balance is not used by the ABS.

Table B2: Australian Government general government sector balance sheet

	Note	Estimates		Projections	
		2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Assets					
Financial assets					
Cash and deposits	19(a)	2,720	2,811	2,991	3,124
Advances paid	13	39,807	45,152	50,347	57,346
Investments, loans and placements	14	115,405	116,989	120,078	130,527
Other receivables	13	44,744	44,506	47,790	51,568
Equity investments					
Investments in other public sector entities		35,557	41,926	47,641	52,697
Equity accounted investments		300	303	306	309
Investments - shares		34,753	37,776	40,998	44,222
Total financial assets		273,286	289,465	310,152	339,793
Non-financial assets	15				
Land		8,981	8,942	8,906	8,876
Buildings		24,601	25,226	25,388	25,394
Plant, equipment and infrastructure		54,485	56,965	59,412	61,486
Inventories		7,820	7,640	7,538	7,455
Intangibles		5,828	5,835	5,813	5,864
Investment properties		198	198	198	198
Biological assets		33	33	33	33
Heritage and cultural assets		10,561	10,575	10,586	10,597
Assets held for sale		95	133	95	95
Other non-financial assets		442	657	360	230
Total non-financial assets		113,045	116,205	118,329	120,228
Total assets		386,331	405,670	428,481	460,022
Liabilities					
Interest bearing liabilities					
Deposits held		182	182	182	182
Government securities		335,066	382,357	419,027	458,125
Loans	16	12,708	12,163	11,985	11,957
Other borrowing		1,496	1,372	1,311	1,223
Total interest bearing liabilities		349,452	396,074	432,506	471,487
Provisions and payables					
Superannuation liability	17	149,786	155,144	160,565	166,080
Other employee liabilities	17	14,963	15,077	15,010	15,380
Suppliers payable	18	4,830	4,866	4,897	4,922
Personal benefits provisions and payable	18	12,147	12,283	12,574	13,043
Subsidies provisions and payable	18	3,986	3,719	3,873	4,064
Grants provisions and payable	18	14,154	11,796	10,865	11,693
Other provisions and payables	18	13,661	13,754	14,241	14,516
Total provisions and payables		213,527	216,638	222,025	229,697
Total liabilities		562,980	612,713	654,531	701,184
Net worth(a)		-176,649	-207,043	-226,049	-241,162
<i>Net financial worth(b)</i>		<i>-289,693</i>	<i>-323,248</i>	<i>-344,378</i>	<i>-361,390</i>
<i>Net financial liabilities(c)</i>		<i>325,251</i>	<i>365,175</i>	<i>392,020</i>	<i>414,088</i>
<i>Net debt(d)</i>		<i>191,520</i>	<i>231,122</i>	<i>259,089</i>	<i>280,490</i>

(a) Net worth is calculated as total assets minus total liabilities.

(b) Net financial worth equals total financial assets minus total liabilities.

(c) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.

(d) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table B3: Australian Government general government sector cash flow statement^(a)

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Cash receipts from operating activities				
Taxes received	343,480	358,603	384,439	410,331
Receipts from sales of goods and services	8,626	8,442	8,637	8,733
Interest receipts	3,591	3,544	3,885	3,960
Dividends and income tax equivalents	2,883	3,891	2,699	2,748
Other receipts	5,941	5,981	6,719	6,813
Total operating receipts	364,521	380,461	406,379	432,585
Cash payments for operating activities				
Payments for employees	-27,037	-27,013	-27,655	-28,264
Payments for goods and services	-74,464	-79,015	-82,028	-83,918
Grants and subsidies paid	-153,845	-149,447	-151,048	-156,708
Interest paid	-12,419	-14,161	-17,350	-16,784
Personal benefit payments	-125,082	-127,938	-136,259	-146,128
Other payments	-5,873	-5,933	-6,412	-6,146
Total operating payments	-398,719	-403,507	-420,752	-437,949
Net cash flows from operating activities	-34,198	-23,046	-14,373	-5,364
Cash flows from investments in non-financial assets				
Sales of non-financial assets	409	2,282	2,704	231
Purchases of non-financial assets	-9,861	-10,189	-9,277	-9,162
Net cash flows from investments in non-financial assets	-9,451	-7,907	-6,572	-8,931
Net cash flows from investments in financial assets for policy purposes	-7,522	-11,484	-10,741	-11,481
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	-2,968	-2,658	-3,669	-10,240
Net cash flows from investments in financial assets for liquidity purposes	-2,968	-2,658	-3,669	-10,240
Cash receipts from financing activities				
Borrowing	56,850	47,472	37,870	39,136
Other financing	14	0	0	0
Total cash receipts from financing activities	56,865	47,472	37,870	39,136
Cash payments for financing activities				
Borrowing	0	0	0	0
Other financing	-2,080	-2,285	-2,336	-2,989
Total cash payments for financing activities	-2,080	-2,285	-2,336	-2,989
Net cash flows from financing activities	54,785	45,187	35,534	36,148
Net increase/(decrease) in cash held	645	91	180	132

Table B3: Australian Government general government sector cash flow statement (continued)^(a)

	Estimates		Projections	
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Net cash flows from operating activities and investments in non-financial assets (surplus+)/deficit(-)	-43,650	-30,953	-20,945	-14,295
Finance leases and similar arrangements(b)	-469	0	0	0
GFS cash surplus(+)/deficit(-)	-44,118	-30,953	-20,945	-14,295
less Net Future Fund earnings	2,871	2,953	3,138	3,373
Equals underlying cash balance(c)	-46,989	-33,907	-24,083	-17,668
plus Net cash flows from investments in financial assets for policy purposes	-7,522	-11,484	-10,741	-11,481
plus Net Future Fund earnings	2,871	2,953	3,138	3,373
Equals headline cash balance	-51,640	-42,437	-31,686	-25,776

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.

(c) The term underlying cash balance is not used by the ABS.

Table B4: Australian Government public non-financial corporations sector operating statement

	Estimates
	2013-14
	\$m
Revenue	
Current grants and subsidies	32
Sales of goods and services	9,466
Interest income	47
Other	1
Total revenue	9,546
Expenses	
Gross operating expenses	
Wages and salaries(a)	3,905
Superannuation	475
Depreciation and amortisation	1,080
Supply of goods and services	4,944
Other operating expenses(a)	416
<i>Total gross operating expenses</i>	<i>10,820</i>
Interest expenses	305
Other property expenses	187
Current transfers	
Tax expenses	67
<i>Total current transfers</i>	<i>67</i>
Total expenses	11,379
Net operating balance	-1,833
Other economic flows	-191
Comprehensive result - Total change in net worth excluding contribution from owners	-2,024
Net acquisition of non-financial assets	
Purchases of non-financial assets	4,177
<i>less</i> Sales of non-financial assets	<i>267</i>
<i>less</i> Depreciation	<i>1,080</i>
<i>plus</i> Change in inventories	<i>12</i>
<i>plus</i> Other movements in non-financial assets	<i>16</i>
Total net acquisition of non-financial assets	2,857
Fiscal balance (Net lending/borrowing)(b)	-4,690

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) The term fiscal balance is not used by the ABS.

Table B5: Australian Government public non-financial corporations sector balance sheet

	Estimates
	2013-14
	\$m
Assets	
Financial assets	
Cash and deposits	1,380
Investments, loans and placements	87
Other receivables	1,378
Equity investments	33
<i>Total financial assets</i>	<i>2,877</i>
Non-financial assets	
Land and fixed assets	17,545
Other non-financial assets(a)	1,514
<i>Total non-financial assets</i>	<i>19,058</i>
Total assets	21,935
Liabilities	
Interest bearing liabilities	
Loans	2,570
Other borrowing	3,353
<i>Total interest bearing liabilities</i>	<i>5,924</i>
Provisions and payables	
Superannuation liability	59
Other employee liabilities	1,245
Other provisions and payables(a)	3,319
<i>Total provisions and payables</i>	<i>4,623</i>
Total liabilities	10,547
Shares and other contributed capital	11,388
Net worth(b)	11,388
<i>Net financial worth(c)</i>	<i>-7,670</i>
<i>Net debt(d)</i>	<i>4,457</i>

(a) Excludes the impact of commercial taxation adjustments.

(b) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(c) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(d) Net debt equals the sum of interest bearing liabilities (deposits held, advances received, loans and other borrowing), minus the sum of cash and deposits and investments, loans and placements.

Table B6: Australian Government public non-financial corporations sector cash flow statement^(a)

	Estimates
	2013-14
	\$m
Cash receipts from operating activities	
Receipts from sales of goods and services	10,654
GST input credit receipts	184
Other receipts	111
Total operating receipts	10,949
Cash payments for operating activities	
Payments to employees	-4,062
Payment for goods and services	-5,453
Interest paid	-72
GST payments to taxation authority	-505
Other payments	-341
Total operating payments	-10,433
Net cash flows from operating activities	516
Cash flows from investments in non-financial assets	
Sales of non-financial assets	248
Purchases of non-financial assets	-4,210
Net cash flows from investments in non-financial assets	-3,962
Net cash flows from investments in financial assets for policy purposes	0
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	921
Net cash flows from investments in financial assets for liquidity purposes	921
Net cash flows from financing activities	
Borrowing (net)	-56
Other financing (net)	3,265
Distribution paid (net)	-195
Net cash flows from financing activities	3,014
Net increase/(decrease) in cash held	489
Cash at the beginning of the year	891
Cash at the end of the year	1,380
Net cash from operating activities and investments in non-financial assets	-3,446
Distributions paid	-195
Equals surplus(+)/deficit(-)	-3,641
Finance leases and similar arrangements(b)	0
GFS cash surplus(+)/deficit(-)	-3,641

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table B7: Australian Government total non-financial public sector operating statement

	Estimates
	2013-14
	\$m
Revenue	
Taxation revenue	351,367
Sales of goods and services	16,813
Interest income	3,758
Dividend income	3,604
Other	6,288
Total revenue	381,830
Expenses	
Gross operating expenses	
Wages and salaries(a)	23,719
Superannuation	5,780
Depreciation and amortisation	7,506
Supply of goods and services	78,125
Other operating expenses(a)	6,063
<i>Total gross operating expenses</i>	<i>121,193</i>
Superannuation interest expense	8,197
Interest expenses	15,211
Current transfers	
Current grants	118,955
Subsidy expenses	15,314
Personal benefits	122,784
<i>Total current transfers</i>	<i>257,053</i>
Capital transfers	20,146
Total expenses	421,800
Net operating balance	-39,970
Other economic flows	16,097
Comprehensive result - Total change in net worth	-23,873
Net acquisition of non-financial assets	
Purchases of non-financial assets	14,330
<i>less</i> Sales of non-financial assets	<i>719</i>
<i>less</i> Depreciation	<i>7,506</i>
<i>plus</i> Change in inventories	<i>292</i>
<i>plus</i> Other movements in non-financial assets	<i>166</i>
Total net acquisition of non-financial assets	6,563
Fiscal balance (net lending/borrowing)(b)	-46,533

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) The term fiscal balance is not used by the ABS.

Table B8: Australian Government total non-financial public sector balance sheet

	Estimates
	2013-14
	\$m
Assets	
Financial assets	
Cash and deposits	4,100
Advances paid	39,807
Investments, loans and placements	115,189
Other receivables	45,982
Equity investments	58,684
<i>Total financial assets</i>	<i>263,762</i>
Non-financial assets	
Land and fixed assets	123,993
Other non-financial assets	8,110
<i>Total non-financial assets</i>	<i>132,103</i>
Total assets	395,865
Liabilities	
Interest bearing liabilities	
Deposits held	182
Government securities	335,066
Loans	14,975
Other borrowing	4,850
<i>Total interest bearing liabilities</i>	<i>355,073</i>
Provisions and payables	
Superannuation liability	149,846
Other employee liabilities	16,208
Other provisions and payables	51,957
<i>Total provisions and payables</i>	<i>218,011</i>
Total liabilities	573,084
Shares and other contributed capital	11,388
Net worth(a)	-177,219
<i>Net financial worth(b)</i>	<i>-309,322</i>
<i>Net debt(c)</i>	<i>195,977</i>

(a) Under AASB 1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(b) Under AASB 1049, net financial worth equals total financial assets minus total liabilities. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. The AASB 1049 method is used in this table.

(c) Net debt equals the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

Table B9: Australian total non-financial public sector cash flow statement^(a)

	Estimates
	2013-14
	\$m
Cash receipts from operating activities	
Taxes received	343,480
Receipts from sales of goods and services	17,945
Interest receipts	3,625
Dividends and income tax equivalents	2,688
Other receipts	5,998
Total operating receipts	373,736
Cash payments for operating activities	
Payments to employees	-31,099
Payments for goods and services	-78,902
Grants and subsidies paid	-153,845
Interest paid	-12,471
Personal benefit payments	-125,082
Other payments	-6,214
Total operating payments	-407,614
Net cash flows from operating activities	-33,878
Cash flows from investments in non-financial assets	
Sales of non-financial assets	657
Purchases of non-financial assets	-14,070
Net cash flows from investments in non-financial assets	-13,413
Net cash flows from investments in financial assets for policy purposes	-4,033
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-2,047
Net cash flows from investments in financial assets for liquidity purposes	-2,047
Net cash flows from financing activities	
Borrowing (net)	56,794
Other financing (net)	-2,290
Net cash flows from financing activities	54,505
Net increase/(decrease) in cash held	1,133
Cash at the beginning of the year	2,966
Cash at the end of the year	4,100
Net cash from operating activities and investments in non-financial assets	-47,291
Distributions paid	0
Equals surplus(+)/deficit(-)	-47,291
Finance leases and similar arrangements(b)	-469
GFS cash surplus(+)/deficit(-)	-47,759

(a) A positive number denotes a cash inflow; a negative number denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

NOTES TO THE GENERAL GOVERNMENT SECTOR FINANCIAL STATEMENTS

Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the Mid-Year Economic and Fiscal Outlook (MYEFO) be based on external reporting standards and that departures from applicable external reporting standards be identified.

The external standards used for MYEFO reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods* (cat. no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and
- Australian Accounting Standards (AAS) issued by the Australian Accounting Standards Board (AASB), which includes International Financial Reporting Standards (IFRS) as adopted in Australia and the public sector specific standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The financial statements have been prepared on an accrual basis that complies with both ABS GFS and AAS, except for departures disclosed at Note 2.

A more detailed description of the AAS and ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Attachment A. Table B11 in Attachment A explains the key differences between the two frameworks. Detailed accounting policies, as required by AAS, are disclosed in the annual Consolidated Financial Statements.

Fiscal reporting focuses on the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, user charging and external funding. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated. A list of entities within the GGS, as well as entities within and a description of the public non-financial corporations (PNFC) sector and public financial corporations (PFC) sector, are disclosed in Table B10 in Attachment A.

The Government's key fiscal aggregates are based on ABS GFS concepts and definitions, including the ABS GFS cash surplus/deficit and the derivation of the underlying cash balance and net financial worth. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including net operating balance, net

lending/borrowing (fiscal balance) and net worth. In addition to these ABS GFS aggregates, the Uniform Presentation Framework (UPF) requires disclosure of net debt, net financial worth and net financial liabilities.

Explanations of variations in fiscal balance, revenue, expenses, net capital investment, cash flows, net debt, net financial worth and net worth since the 2013 Pre-election Economic and Fiscal Outlook (PEFO) are disclosed in Part 3.

Updates to fiscal risks and contingent liabilities since the 2013-14 Budget are disclosed in Appendix C.

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The MYEFO financial statements depart from the external reporting standards as follows.

General government sector

Departures from ABS GFS

ABS GFS requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted in the financial statements because excluding such provisions would overstate the value of Australian Government assets in the balance sheet. The financial statements currently adopt AAS treatment for provisions for bad and doubtful debts.

ABS GFS treats coins on issue as a liability and no revenue is recognised. The ABS GFS treatment of circulating coins as a liability has not been adopted in the financial statements. Instead, the financial statements adopt AAS treatment for circulating coins (seigniorage). Under this treatment, seigniorage revenue is recognised upon the issue of coins and no liability is recorded.

ABS GFS records defence weapons platforms (DWP) as a non-financial asset on a market value basis (fair value), rather than expensing at time of acquisition. The value used by the ABS is consistent with the National Accounts statistical methodology, and represents an early adoption of changes to the *System of National Accounts 2008*. ABS GFS treatment of DWP is consistent with AAS, as non-financial assets can be valued at fair value as long as they can be reliably measured, otherwise cost is permissible. DWP will be valued at cost in the budget financial statements, as they have in previous budgets, while the Australian Government ascertains if a relevant and reliable fair value can be sourced.

Under ABS GFS, concessional loans are recognised at their nominal value, that is, they are not discounted to fair (market) value as there is not considered to be a secondary market. This treatment has not been adopted for the financial statements. Consistent with AAS, loans issued at below market interest rates or with long repayment periods

are recorded at fair value (by discounting them by market interest rates). The difference between the nominal value and the fair value of the loan is recorded as an expense which is written back over the life of the loan.

ABS GFS requires investments in unlisted public sector entities to be valued based on their net assets. Under AAS, investments in public sector entities can be valued at fair value as long as a fair value can be reliably measured, otherwise net assets is permissible. The AAS treatment has been adopted in the financial statements.

Movements in the provision for restoration, decommissioning and make-good of assets have been included in the calculation of the fiscal balance capital adjustment because in many cases they involve legal obligations to expend resources. ABS GFS does not recognise adjustments for such provisions because they are considered a constructive obligation that may not materialise for many years.

ABS GFS treats the issuance and registration of Renewable Energy Certificates (RECs) under the Renewable Energy Target as government financial transactions resulting in the recognition of assets, liabilities, tax revenue and expenses.

Under an interpretation of AAS, issuance and registration of such certificates is considered to be an administrative function and does not result in the recognition of an asset or liability and therefore no revenue or expense is recognised. The AAS treatment has been adopted in the financial statements.

For the calculation of fiscal balance, ABS GFS recognises the sale of spectrum at auction while AAS recognises the sale at the time licences are transferred. Both recognise cash at the time of receipt for underlying cash balance purposes. The AAS treatment has been adopted in the financial statements.

Departures from AAS

AAS requires the advances paid to the International Development Association and Asian Development Fund to be recognised at fair value. Under ABS GFS these advances are recorded at nominal value. The ABS GFS treatment is adopted in the financial statements.

Under AAS, prepayments are classified as non-financial assets. In accordance with ABS GFS, prepayments have been classified as financial assets in the financial statements. This treatment is consistent with the exclusion of prepayments from net acquisition of non-financial assets in the calculation of the fiscal balance.

Under an AASB issued staff paper, AAS recognises transactions under the carbon tax in the financial statements where they are expected to result in a receipt or payment of cash by the government at the amount of the expected cash settlement. The issuance and surrender of free carbon units and Australian Carbon Credit Units (ACCUs) used in the settlement of emissions liabilities do not qualify for recognition by the government as assets, liabilities, revenues or expenses.

Appendix B: Australian Government Budget Financial Statements

Under ABS GFS the issuance of free carbon units that are expected to be used to settle an emitter's obligation are treated as an expense on issue and revenue when emissions occur. The ABS GFS treatment has been adopted in the financial statements.

AASB 1049 requires disaggregated information, by ABS GFS function, for expenses and total assets to be disclosed where they are reliably attributable. ABS GFS does not require total assets to be attributed to functions. In accordance with ABS GFS, disaggregated information for expenses is disclosed in Attachment D of Part 3.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to ABS GFS measurement of key fiscal aggregates, where different, in notes to the financial statements. Differences from the AAS measurement of items outline above and reconciliation have not been included as they would effectively create different measures of the same aggregate.

AASB 1049 requires major variances between original budget estimates and outcomes to be explained in the financial statements. Explanations of major variances for the 2013-14 year from the 2013-14 Budget are disclosed in Part 3. All policy decisions taken between the 2013 PEFO and the 2013-14 MYEFO are disclosed in Appendix A.

In addition to the above adjustments, there are specific adjustments made to the corporations sectors as outlined below.

Public non-financial corporations (PNFC) sector and total non-financial public sector (NFPS)

Departures from ABS GFS

AASB 1049 defines net worth for the PNFC sector and NFPS as total assets less total liabilities; however, ABS GFS defines net worth as total assets less total liabilities less shares and contributed capital (which is equal to zero for the PNFC sector). Similarly, AASB 1049 defines net financial worth for these sectors as financial assets less total liabilities, whereas under ABS GFS it is equal to financial assets less total liabilities less shares and contributed capital. The AASB 1049 treatment has been adopted in the PNFC sector and NFPS financial statements.

Departures from AAS

The financial statements for the PNFC sector and NFPS comply with the UPF but do not include all the line item disclosures required by AASB 1049. Disaggregated outcome notes for the PNFC sector will be disclosed in the Consolidated Financial Statements.

AAS requires dividends paid to be classified as a distribution of equity. Under ABS GFS, dividends paid are classified as an expense. The ABS GFS treatment has been adopted for use in the financial statements.

Appendix B: Australian Government Budget Financial Statements

Australian Government public corporations use commercial tax effect accounting to determine their net tax liability while the ATO determines their tax liability on a due and payable basis. To ensure symmetry in treatment between Australian Government sectors, the ABS removes tax effect adjustments. The ABS GFS treatment has been adopted in the financial statements.

Note 3: Taxation revenue by type

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Individuals and other withholding taxes				
Gross income tax withholding	158,510	170,210	185,010	198,290
Gross other individuals	36,650	39,500	43,730	48,230
less Refunds	27,200	28,000	29,400	30,700
Total individuals and other withholding tax	167,960	181,710	199,340	215,820
Fringe benefits tax	4,140	4,550	4,800	5,090
Company tax	70,400	72,330	75,690	79,130
Superannuation fund taxes	6,990	8,930	11,100	12,180
Minerals resource rent tax(a)	500	300	0	0
Petroleum resource rent tax	1,900	2,100	2,230	2,390
Total income taxation revenue	251,890	269,920	293,160	314,610
Goods and services tax	52,680	55,710	58,900	62,070
Wine equalisation tax	750	790	830	880
Luxury car tax	400	380	410	430
Excise and customs duty				
Petrol	5,740	5,670	5,820	5,850
Diesel	8,820	9,205	9,310	9,490
Other fuel products	3,730	3,590	3,630	3,660
Tobacco	8,260	9,130	10,040	10,890
Beer	2,320	2,370	2,490	2,640
Spirits	1,990	2,090	2,220	2,330
Other alcoholic beverages(b)	970	990	1,040	1,100
Other customs duty				
Textiles, clothing and footwear	750	600	420	450
Passenger motor vehicles	930	920	920	940
Other imports	1,580	1,600	1,660	1,760
less Refunds and drawbacks	260	260	260	260
Total excise and customs duty	34,830	35,905	37,290	38,850
Carbon pricing mechanism(c)	7,340	0	0	0
Agricultural levies	459	470	460	464
Other taxes	3,086	3,182	3,656	3,762
Mirror taxes	508	542	573	596
less Transfers to States in relation to mirror tax revenue	508	542	573	596
Mirror tax revenue	0	0	0	0
Total indirect taxation revenue	99,545	96,437	101,545	106,456
Total taxation revenue	351,434	366,356	394,705	421,066
<i>Memorandum:</i>				
Total excise	25,900	26,725	27,780	28,760
Total customs duty	8,930	9,180	9,510	10,090
Capital gains tax(d)	7,900	10,700	13,200	15,400
Medicare and DisabilityCare Australia levy(e)	9,950	10,380	14,035	15,000

(a) Net revenue from the minerals resource rent tax are expected to be \$0.3 billion in 2013-14 and \$0.2 billion in 2014-15 which represent the net revenue impact across different revenue heads. These include the offsetting reductions in company tax (through deductibility) and interactions with other taxes. The Government has announced the minerals resource rent tax will not apply beyond 30 June 2014.

(b) Other alcoholic beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).

(c) Tax revenue includes carbon accrual revenue measured at the legislated price, with details of the accounting treatment of carbon revenue set out in Note 2 to the General Government Sector Financial Statements.

(d) Capital gains tax is part of gross other individuals, company tax and superannuation fund taxes.

(e) The Medicare and DisabilityCare Australia levy liabilities are reported in the year in which the income tax liability is assessed.

Appendix B: Australian Government Budget Financial Statements

Note 3(a): Taxation revenue by source

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Taxes on income, profits and capital gains				
Income and capital gains levied on individuals	172,110	186,280	204,160	220,940
Income and capital gains levied on enterprises	79,780	83,640	89,000	93,670
Total taxes on income, profits and capital gains	251,890	269,920	293,160	314,610
Taxes on employers' payroll and labour force	553	583	606	630
Taxes on the provision of goods and services				
Sales/goods and services tax	53,830	56,880	60,140	63,380
Excises and levies	26,359	27,195	28,240	29,224
Taxes on international trade	8,930	9,180	9,510	10,090
Total taxes on the provision of goods and services	89,119	93,255	97,890	102,694
Other sale of goods and services	9,873	2,599	3,050	3,132
Total taxation revenue	351,434	366,356	394,705	421,066
<i>Memorandum:</i>				
<i>Medicare and DisabilityCare Australia levy^(a)</i>	<i>9,950</i>	<i>10,380</i>	<i>14,035</i>	<i>15,000</i>

(a) The Medicare and DisabilityCare Australia levy liabilities are reported in the year in which the income tax liability is assessed.

Note 4: Sales of goods and services revenue

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Sales of goods	1,570	1,560	1,587	1,674
Rendering of services	3,783	3,450	3,475	3,390
Operating lease rental	55	55	57	55
Fees from regulatory services	3,272	3,431	3,567	3,670
Total sales of goods and services revenue	8,680	8,496	8,687	8,788

Appendix B: Australian Government Budget Financial Statements

Note 5: Interest and dividend revenue

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Interest from other governments				
State and Territory debt	9	12	14	13
Housing agreements	138	134	129	124
Total interest from other governments	148	146	143	137
Interest from other sources				
Advances	48	52	56	62
Deposits	93	93	94	102
Bank deposits	134	144	153	148
Indexation of HELP receivable and other student loans	557	653	779	916
Other	2,751	2,972	3,139	3,314
Total interest from other sources	3,582	3,914	4,222	4,542
Total interest	3,730	4,060	4,364	4,680
Dividends				
Dividends from other public sector entities	1,772	396	437	965
Other dividends	2,020	2,051	2,220	2,387
Total dividends	3,792	2,448	2,657	3,352
Total interest and dividend revenue	7,522	6,508	7,021	8,032

Note 6: Other sources of non-taxation revenue

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Industry contributions	43	42	42	42
Royalties	1,631	1,549	1,631	1,630
Seigniorage	135	138	137	138
Other	4,478	4,793	5,201	5,337
Total other sources of non-taxation revenue	6,286	6,522	7,010	7,146

Note 7: Employee and superannuation expense

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Wages and salaries expenses	19,815	19,618	19,730	20,384
Other operating expenses				
Leave and other entitlements	2,495	2,488	2,523	2,494
Separations and redundancies	77	46	45	42
Workers compensation premiums and claims	593	680	723	953
Other	2,483	2,647	2,777	2,650
Total other operating expenses	5,647	5,860	6,068	6,140
Superannuation expenses				
Superannuation	5,304	4,117	4,209	4,180
Superannuation interest cost	8,197	8,838	9,160	9,495
Total superannuation expenses	13,502	12,955	13,369	13,675
Total employee and superannuation expense	38,964	38,434	39,167	40,199

Note 8: Depreciation and amortisation expense

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Depreciation				
Specialist military equipment	2,819	2,934	3,065	3,337
Buildings	1,308	1,297	1,298	1,267
Other infrastructure, plant and equipment	1,407	1,439	1,453	1,431
Heritage and cultural assets	37	37	38	37
Total depreciation	5,571	5,707	5,853	6,073
Total amortisation	854	820	833	811
Total depreciation and amortisation expense	6,426	6,528	6,687	6,884

Note 9: Supply of goods and services expense

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Supply of goods and services	23,623	25,694	24,980	23,877
Operating lease rental expenses	2,549	2,504	2,594	2,607
Personal benefits - indirect	41,137	43,829	47,733	50,734
Health care payments	5,414	5,482	5,578	5,794
Other	1,790	1,582	1,388	955
Total supply of goods and services expense	74,514	79,091	82,272	83,968

Appendix B: Australian Government Budget Financial Statements

Note 10: Interest expense

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Interest on debt				
Government securities(a)	13,455	14,954	16,741	18,027
Loans	10	9	8	0
Other	536	528	527	523
Total interest on debt	14,001	15,492	17,276	18,550
Other financing costs	925	898	908	674
Total interest expense	14,926	16,390	18,184	19,224

(a) Public debt interest estimates are calculated using the contract interest rates incurred on existing Commonwealth Government Securities (CGS) when issued and technical assumptions, based on prevailing market interest rates across the yield curve, for yields on future CGS issuance.

Note 11: Current and capital grants expense

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Current grants expense				
State and Territory governments	87,920	92,909	98,788	105,674
Local governments	17	6	2	0
Private sector	2,714	2,196	1,801	1,477
Overseas	4,915	5,116	5,722	6,881
Non-profit organisations	1,661	1,787	2,004	1,802
Multi-jurisdictional sector	9,791	10,144	10,319	10,654
Other	11,937	13,157	12,148	13,216
Total current grants expense	118,955	125,314	130,783	139,703
Capital grants expense				
Mutually agreed write-downs	2,382	2,656	2,890	3,120
Other capital grants				
State and Territory governments	7,901	8,047	6,549	3,470
Local governments	436	795	393	392
Private sector	34	1	1	1
Multi-jurisdictional sector	99	102	104	108
Other	9,295	545	504	548
Total capital grants expense	20,146	12,147	10,441	7,638
Total grants expense	139,101	137,461	141,225	147,340

Note 12: Personal benefits expense

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Social welfare - assistance to the aged	40,433	43,139	45,994	49,401
Assistance to veterans and dependants	6,172	6,032	5,917	5,772
Assistance to people with disabilities	22,898	24,152	25,401	26,913
Assistance to families with children	31,319	31,509	31,733	32,433
Assistance to the unemployed	10,338	11,187	9,682	9,563
Student assistance	3,541	3,333	3,322	3,426
Other welfare programmes	322	332	323	336
Financial and fiscal affairs	374	377	413	424
Vocational and industry training	276	271	267	267
Other	7,111	7,459	13,210	17,940
Total personal benefits expense	122,784	127,791	136,262	146,477

Note 13: Advances paid and other receivables

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Advances paid				
Loans to State and Territory governments	2,500	2,459	2,383	2,288
Higher Education Loan Program	25,441	30,392	35,711	41,451
Student Financial Supplement Scheme	624	573	525	480
Other	11,267	11,753	11,753	13,152
less Provision for doubtful debts	24	24	24	24
Total advances paid	39,807	45,152	50,347	57,346
Other receivables				
Goods and services receivable	804	804	797	808
Recoveries of benefit payments	3,440	3,580	3,713	3,855
Taxes receivable	22,437	22,886	25,320	27,597
Prepayments	2,559	2,633	2,748	2,883
Other	18,886	18,120	18,869	20,235
less Provision for doubtful debts	3,382	3,517	3,657	3,811
Total other receivables	44,744	44,506	47,790	51,568

Note 14: Investments, loans and placements

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Investments - deposits	30,247	26,844	22,800	25,662
IMF quota	10,640	10,826	11,014	11,207
Other	74,519	79,319	86,264	93,658
Total investments, loans and placements	115,405	116,989	120,078	130,527

Note 15: Total non-financial assets

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Land and buildings				
Land	8,981	8,942	8,906	8,876
Buildings	24,601	25,226	25,388	25,394
Total land and buildings	33,582	34,168	34,294	34,270
Plant, equipment and infrastructure				
Specialist military equipment	40,746	42,851	45,422	47,995
Other	13,739	14,114	13,990	13,492
Total plant, equipment and infrastructure	54,485	56,965	59,412	61,486
Inventories				
Inventories held for sale	1,160	1,104	1,103	1,133
Inventories not held for sale	6,660	6,536	6,436	6,322
Total inventories	7,820	7,640	7,538	7,455
Intangibles				
Computer software	3,575	3,361	3,122	2,877
Other	2,253	2,474	2,691	2,987
Total intangibles	5,828	5,835	5,813	5,864
Total investment properties	198	198	198	198
Total biological assets	33	33	33	33
Total heritage and cultural assets	10,561	10,575	10,586	10,597
Total assets held for sale	95	133	95	95
Total other non-financial assets	442	657	360	230
Total non-financial assets	113,045	116,205	118,329	120,228

Note 16: Loans

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Promissory notes	6,955	6,432	6,410	6,386
Special drawing rights	4,977	5,065	5,153	5,243
Other	776	666	422	327
Total loans	12,708	12,163	11,985	11,957

Note 17: Employee and superannuation liabilities

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Total superannuation liability(a)	149,786	155,144	160,565	166,080
Other employee liabilities				
Leave and other entitlements	7,450	7,508	7,617	7,730
Accrued salaries and wages	661	684	490	517
Workers compensation claims	3,169	3,235	3,305	3,382
Separations and redundancies	84	84	84	84
Other	3,600	3,566	3,515	3,667
Total other employee liabilities	14,963	15,077	15,010	15,380
Total employee and superannuation liabilities	164,749	170,221	175,575	181,460

(a) For budget reporting purposes, a discount rate applied by actuaries in preparing Long-Term Cost Reports is used to value the superannuation liability. This reduces the volatility in reported liabilities that would occur from year to year if the long-term government bond rate were used. Consistent with AAS, the long-term government bond rate as at 30 June is used to calculate the superannuation liability for the purpose of actuals reporting.

Note 18: Provisions and payables

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Suppliers payable				
Trade creditors	4,109	4,141	4,171	4,137
Operating lease rental payable	221	224	225	224
Other creditors	500	500	501	561
Total suppliers payable	4,830	4,866	4,897	4,922
Total personal benefits provisions and payable	12,147	12,283	12,574	13,043
Total subsidies provisions and payable	3,986	3,719	3,873	4,064
Grants provisions and payable				
State and Territory governments	145	144	146	144
Non-profit organisations	101	101	101	101
Private sector	364	364	364	364
Overseas	2,300	2,313	1,830	2,423
Local governments	11	11	11	11
Other	11,233	8,862	8,413	8,650
Total grants provisions and payable	14,154	11,796	10,865	11,693
Other provisions and payables				
Provisions for tax refunds	3,432	3,454	3,508	3,512
Other	10,228	10,301	10,733	11,003
Total other provisions and payables	13,661	13,754	14,241	14,516

Appendix B: Australian Government Budget Financial Statements

Note 19: Reconciliation of cash

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Net operating balance (revenues less expenses)	-38,137	-29,876	-18,596	-12,078
<i>less</i> Revenues not providing cash				
Other	906	1,353	1,579	1,842
Total revenues not providing cash	906	1,353	1,579	1,842
<i>plus</i> Expenses not requiring cash				
Increase/(decrease) in employee entitlements	6,438	5,652	5,571	6,137
Depreciation/amortisation expense	6,426	6,528	6,687	6,884
Mutually agreed write-downs	2,382	2,656	2,890	3,120
Other	428	594	773	-534
Total expenses not requiring cash	15,673	15,430	15,921	15,608
<i>plus</i> Cash provided / (used) by working capital items				
Decrease/(increase) in inventories	-147	-96	-169	-208
Decrease/(increase) in receivables	-8,161	-5,565	-9,285	-10,363
Decrease/(increase) in other financial assets	1,690	1,533	1,584	2,239
Decrease/(increase) in other non-financial assets	-51	19	-23	-49
Increase/(decrease) in benefits, subsidies and grants payable	-3,642	-2,363	-308	2,138
Increase/(decrease) in suppliers' liabilities	594	19	4	34
Increase/(decrease) in other provisions and payables	-1,112	-793	-1,921	-841
Net cash provided / (used) by working capital	-10,828	-7,246	-10,118	-7,051
<i>equals</i> (Net cash from/(to) operating activities)	-34,198	-23,046	-14,373	-5,364
<i>plus</i> (Net cash from/(to) investing activities)	-19,942	-22,049	-20,982	-30,652
Net cash from operating activities and investment	-54,140	-45,096	-35,354	-36,015
<i>plus</i> (Net cash from/(to) financing activities)	54,785	45,187	35,534	36,148
equals Net increase/(decrease) in cash held	645	91	180	132
Cash at the beginning of the year	2,075	2,720	2,811	2,991
Net increase/(decrease) in cash	645	91	180	132
Cash at the end of the year	2,720	2,811	2,991	3,124

Note 19(a): Consolidated Revenue Fund

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Total general government sector cash	2,720	2,811	2,991	3,124
<i>less</i> CAC Agency cash balances	1,822	1,893	2,050	2,202
<i>plus</i> Special public monies	311	311	311	311
Balance of Consolidated Revenue Fund at 30 June	1,209	1,229	1,252	1,233

Appendix B: Australian Government Budget Financial Statements

The estimated and projected cash balances reflected in the balance sheet for the Australian Government GGS (Table B2) include the reported cash balances controlled and administered by Australian Government agencies subject to the *Financial Management and Accountability Act 1997*, and the reported cash balances controlled and administered by entities subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act), or from 1 July 2014 the entities subject to the equivalent provisions of the *Public Governance, Performance and Accountability Act 2013*, that implement public policy through the provision of primarily non-market services.

Revenues or monies raised by the Executive Government automatically form part of the Consolidated Revenue Fund by force of section 81 of the Australian Constitution. For practical purposes, total Australian Government GGS cash, less cash controlled and administered by CAC Act entities, plus special public monies, represents the Consolidated Revenue Fund referred to in section 81 of the Australian Constitution. On this basis, the balance of the Consolidated Revenue Fund is shown above.

Attachment A

FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Charter of Budget Honesty Act 1998* (the Charter) requires the Mid-Year Economic and Fiscal Outlook (MYEFO) to be based on external reporting standards.

The Government has produced a single set of financial statements that comply with both ABS GFS and AAS, meeting the requirement of the Charter, with departures disclosed. The financial statements for the *Mid-Year Economic and Fiscal Outlook 2013-14* have been prepared on a basis consistent with the 2013-14 Budget. The statements reflect the Government's accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

AASB 1049 and the Uniform Presentation Framework (UPF) also provide a basis for reporting of the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors and the total non-financial public sector (NFPS).

General Government Sector Financial Reporting (AASB 1049)

The MYEFO primarily focuses on the financial performance and position of the general government sector (GGS). The ABS defines the GGS as providing public services which are mainly non-market in nature, mainly for the collective consumption of the community, involving the transfer or redistribution of income and financed mainly through taxes and other compulsory levies. AASB 1049 recognises the GGS as a reporting entity.

AASB 1049 history and conceptual framework

The Australian Accounting Standards Board (AASB) released AASB 1049 for application from the 2008-09 financial year. AASB 1049 seeks to 'harmonise' ABS GFS and AAS.

The reporting framework for AASB 1049 requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, revenue, expenses and cash flows. GGS reporting under AASB 1049 aims to provide users with information about the stewardship of each government in relation to its GGS and accountability for the resources entrusted to it; information about the financial position, performance and cash flows of each government's GGS; and information that facilitates assessments of the macroeconomic impact. While AASB 1049 provides a basis for whole-of-government and GGS outcome reporting (including the PNFC and PFC sectors), budget reporting focuses on the GGS.

Appendix B: Australian Government Budget Financial Statements

There are three main general purpose statements that must be prepared in accordance with ABS GFS and AASB 1049. These are:

- an operating statement, including other economic flows, which shows net operating balance and net lending/borrowing (fiscal balance);
 - to allow the presentation of a single set of financial statements in accordance with AASB 1049, the ABS GFS statement of other economic flows has been incorporated into the operating statement;
- a balance sheet, which also shows net worth, net financial worth, net financial liabilities and net debt; and
- a cash flow statement, which includes the calculation of the underlying cash balance.

In addition to these general purpose statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by AAS. A full set of notes and other disclosures required by AAS are included in the annual Consolidated Financial Statements.

All financial data presented in the financial statements are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or other economic flows). Transactions result from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets less liabilities) are reported as revenues and expenses respectively in the operating statement.¹

A change to the value or volume of an asset or liability that does not result from a transaction is an 'other economic flow'. This can include changes in values from market prices, most actuarial valuations and exchange rates, and changes in volumes from discoveries, depletion and destruction. All other economic flows are reported in the operating statement.

Consistent with the ABS GFS framework, and in general AAS, the financial statements record flows in the period in which they occur. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

¹ Not all transactions impact on net worth. For example, transactions in financial assets and liabilities do not impact on net worth as they represent the swapping of assets and liabilities on the balance sheet.

Operating statement

The operating statement presents details of transactions in revenues, expenses, the net acquisition of non-financial assets (net capital investment) and other economic flows for an accounting period.

Revenues arise from transactions that increase net worth and expenses arise from transactions that decrease net worth. Revenues less expenses gives the net operating balance. The net operating balance is similar to the National Accounts concept of government saving plus capital transfers.

The net acquisition of non-financial assets (net capital investment) measures the change in the Australian Government's stock of non-financial assets owing to transactions. As such, it measures the net effect of purchases, sales and consumption (for example, depreciation of fixed assets and use of inventory) of non-financial assets during an accounting period.

Net acquisition of non-financial assets equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories, plus other transactions in non-financial assets.

Other economic flows are presented in the operating statement and outline changes in net worth that are driven by economic flows other than revenues and expenses. Revenues, expenses and other economic flows sum to the total change in net worth during a period. The majority of other economic flows for the Australian Government GGS arise from price movements in its assets and liabilities.

Fiscal balance

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. Thus, the fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.²

The fiscal balance measures the Australian Government's investment-saving balance. It measures in accrual terms the gap between government savings plus net capital transfers, and investment in non-financial assets. As such, it approximates the contribution of the Australian Government GGS to the balance on the current account in the balance of payments.

² The net operating balance includes consumption of non-financial assets because depreciation is an expense. Depreciation also forms part of net capital investment, which (in the calculation of fiscal balance) offsets the inclusion of depreciation in the net operating balance.

Balance sheet

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the UPF, net debt, net financial worth and net financial liabilities are also reported in the balance sheet.

Net worth

The net worth of the GGS, PNFC and PFC sectors is defined as assets less liabilities. This differs from the ABS GFS definition for the PNFC and PFC sectors, where net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the Australian Government's contribution to the wealth of Australia.

Net financial worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. This differs from the ABS GFS definition of net financial worth for the PNFC and PFC sectors, defined as financial assets, less liabilities, less shares, less other contributed capital. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. Net financial worth includes all classes of financial assets and all liabilities, only some of which are included in net debt. As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

Net financial liabilities

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the jurisdiction. Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors of government results in a purer measure of financial worth than net financial worth, as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed up by physical assets.

Net debt

Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans and other borrowing) less the sum of selected financial assets³ (cash and deposits, advances paid, and investments, loans and placements). This includes financial assets held by the Future Fund which are invested in these asset

3 Financial assets are defined as cash, an equity instrument of another entity, a contractual right to receive cash or financial asset, and a contract that will or may be settled in the entity's own equity instruments.

classes, including term deposits and investments in collective investment vehicles. Net debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

Cash flow statement

The cash flow statement identifies how cash is generated and applied in a single accounting period. The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where information is derived indirectly from underlying accrual transactions and movements in balances. This, in effect, means that transactions are captured when cash is received or when cash payments are made. Cash transactions are specifically identified because cash management is considered an integral function of accrual budgeting.

Underlying cash balance

The underlying cash balance plus net Future Fund earnings (ABS GFS cash surplus/deficit) is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance. For the GGS, the underlying cash balance is calculated as shown below:

Net cash flows from operating activities
<i>plus</i>
Net cash flows from investments in non-financial assets
<i>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements ⁴
<i>equals</i>
ABS GFS cash surplus/deficit
<i>less</i>
Net Future Fund earnings
<i>equals</i>
Underlying cash balance

The Government has excluded net Future Fund earnings from the calculations of the underlying cash balance. Prior to the 2012-13 MYEFO, the underlying cash balance only excluded the gross earnings of the Future Fund. Under the *Future Fund Act 2006*, earnings are required to be reinvested to meet the Government's future public sector superannuation liabilities. The Future Fund becomes available to meet the Government's superannuation liabilities from 2020.

4 The underlying cash balance treats the acquisition and disposal of non-financial assets in the same manner regardless of whether they occur by purchase/sale or finance lease — acquisitions reduce the underlying cash balance and disposals increase the underlying cash balance. However, finance leases do not generate cash flows at the time of acquisition or disposal equivalent to the value of the asset. As such, net acquisitions of assets under finance leases are not shown in the body of the cash flow statement but are reported as a supplementary item for the calculation of the underlying cash balance.

In contrast, net Future Fund earnings are included in the fiscal balance because superannuation expenses relating to future cash payments are recorded in the fiscal balance.

Net Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table B3 of this statement and related tables in Part 3 and Appendix D.

Headline cash balance

The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and net Future Fund earnings to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.⁵ Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, net loans to students under the Higher Education Loan Program (HELP), and contributions to international organisations that increase the Australian Government's financial assets.

Sectoral classifications

To assist in analysing the public sector, data is presented by institutional sector as shown in Figure B1. ABS GFS defines the GGS and the PNFC and PFC sectors. AASB 1049 has also adopted this sectoral reporting.

⁵ Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

Figure B1: Institutional structure of the public sector

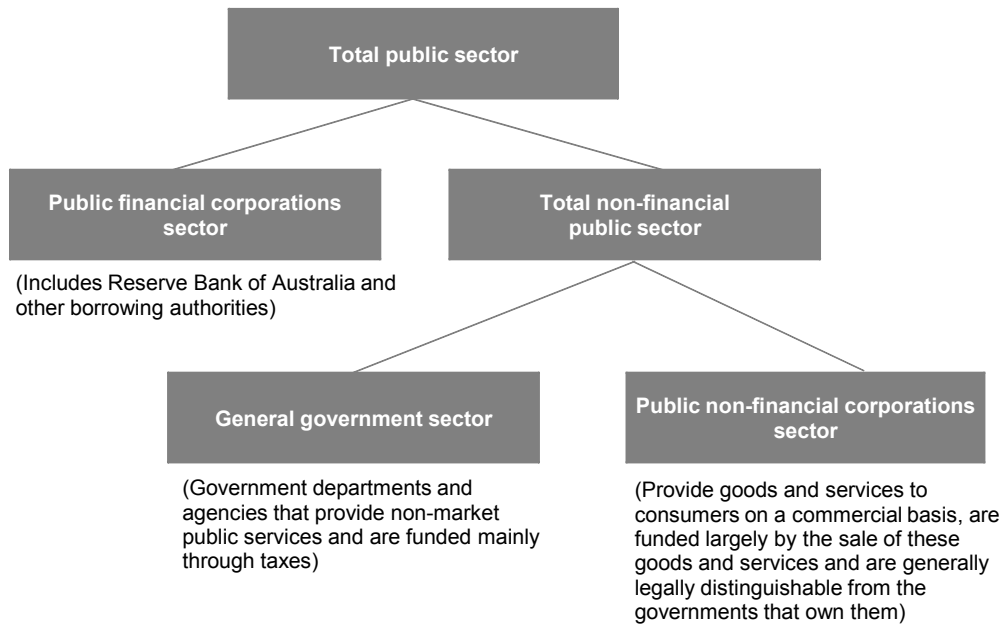


Table B10: Entities within the sectoral classifications

General government sector entities
<p>Agriculture Portfolio</p> <p>Australian Fisheries Management Authority, Australian Pesticides and Veterinary Medicines Authority, Cotton Research and Development Corporation, Department of Agriculture, Fisheries Research and Development Corporation, Grains Research and Development Corporation, Grape and Wine Research and Development Corporation, Rural Industries Research and Development Corporation, Wine Australia Corporation</p>
<p>Attorney-General's Portfolio</p> <p>Administrative Appeals Tribunal, Attorney-General's Department, Australia Business Arts Foundation Ltd, Australian Commission for Law Enforcement Integrity, Australia Council, Australian Crime Commission, Australian Federal Police, Australian Film, Television and Radio School, Australian Financial Security Authority, Australian Human Rights Commission, Australian Institute of Criminology, Australian Law Reform Commission, Australian National Maritime Museum, Australian Security Intelligence Organisation, Australian Transaction Reports and Analysis Centre, Bundanon Trust, CrimTrac Agency, Family Court and Federal Circuit Court, Federal Court of Australia, High Court of Australia, National Archives of Australia, National Film and Sound Archive of Australia, National Gallery of Australia, National Library of Australia, National Museum of Australia, National Native Title Tribunal, National Portrait Gallery of Australia, Office of the Australian Information Commissioner, Office of the Director of Public Prosecutions, Office of Parliamentary Counsel, Old Parliament House, Screen Australia</p>
<p>Communications Portfolio</p> <p>Australian Broadcasting Corporation, Australian Communications and Media Authority, Department of Communications, Special Broadcasting Service Corporation, Telecommunications Universal Service Management Agency</p>
<p>Defence Portfolio</p> <p>AAF Company, Army and Air Force Canteen Service, Australian Military Forces Relief Trust Fund, Australian Strategic Policy Institute Limited, Australian War Memorial, Defence Housing Australia, Defence Materiel Organisation, Department of Defence, Department of Veterans' Affairs, RAAF Welfare Recreational Company, Royal Australian Air Force Veterans' Residences Trust Fund, Royal Australian Air Force Welfare Trust Fund, Royal Australian Navy Central Canteens Board, Royal Australian Navy Relief Trust Fund</p>

Table B10: Entities within the sectoral classifications (continued)

General government sector entities (continued)
<p>Education Portfolio</p> <p>Australian Curriculum, Assessment and Reporting Authority, Australian Institute for Teaching and School Leadership Limited, Australian Research Council, Department of Education, Tertiary Education Quality and Standards Agency</p>
<p>Employment Portfolio</p> <p>Asbestos Safety and Eradication Agency, Comcare, Department of Employment, Fair Work Commission, Office of the Fair Work Building Industry Inspectorate (Fair Work Building and Construction), Office of the Fair Work Ombudsman, Safe Work Australia, Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority), Workplace Gender Equality Agency</p>
<p>Environment Portfolio</p> <p>Bureau of Meteorology, Clean Energy Regulator, Climate Change Authority, Department of Environment, Director of National Parks, Great Barrier Reef Marine Park Authority, Low Carbon Australia Limited, Murray-Darling Basin Authority, National Water Commission, Sydney Harbour Federation Trust</p>
<p>Finance Portfolio</p> <p>Australian Electoral Commission, Commonwealth Superannuation Corporation, ComSuper, Department of Finance, Future Fund Management Agency</p>
<p>Foreign Affairs and Trade Portfolio</p> <p>Australian Centre for International Agricultural Research, Australian Secret Intelligence Service, Australian Trade Commission, Department of Foreign Affairs and Trade, Export Finance and Insurance Corporation National Interest Account, Tourism Australia</p>
<p>Health Portfolio</p> <p>Australian Commission on Safety and Quality in Health Care, Australian Institute of Health and Welfare, Australian National Preventative Health Agency, Australian Organ and Tissue Donation and Transplantation Authority, Australian Radiation Protection and Nuclear Safety Agency, Australian Sports Anti-Doping Authority, Australian Sports Commission, Australian Sports Foundation Limited, Cancer Australia, Department of Health, Food Standards Australia New Zealand, General Practice Education and Training Limited, Health Workforce Australia, Independent Hospital Pricing Authority, National Blood Authority, National Health Funding Body, National Health and Medical Research Council, National Health Performance Authority, National Mental Health Commission, Private Health Insurance Administration Council, Private Health Insurance Ombudsman, Professional Services Review</p>

Table B10: Entities within the sectoral classifications (continued)

General government sector entities (continued)
<p>Immigration and Border Protection Portfolio</p> <p>Australian Customs and Border Protection Service, Department of Immigration and Border Protection, Migration Review Tribunal and Refugee Review Tribunal</p>
<p>Industry Portfolio</p> <p>Australian Institute of Marine Science, Australian Nuclear Science and Technology Organisation, Australian Renewable Energy Agency, Australian Skills Quality Authority (National Vocational Education and Training Regulator), Commonwealth Scientific and Industrial Research Organisation, Department of Industry, Geoscience Australia, IIF Investments Pty Limited, IP Australia, National Offshore Petroleum Safety and Environmental Management Authority</p>
<p>Infrastructure and Regional Development Portfolio</p> <p>Australian Maritime Safety Authority, Australian Transport Safety Bureau, Civil Aviation Safety Authority, Department of Infrastructure and Regional Development, National Capital Authority, National Transport Commission</p>
<p>Prime Minister and Cabinet Portfolio</p> <p>Aboriginal Hostels Limited, Anindilyakwa Land Council, Australian Institute of Aboriginal and Torres Strait Islander Studies, Australian National Audit Office, Australian Public Service Commission, Central Land Council, Department of the Prime Minister and Cabinet, Indigenous Business Australia, Indigenous Land Corporation, National Australia Day Council Limited, Northern Land Council, Office of the Commonwealth Ombudsman, Office of the Inspector-General of Intelligence and Security, Office of National Assessments, Office of the Official Secretary to the Governor-General, Outback Stores Pty Ltd, Tiwi Land Council, Torres Strait Regional Authority, Wreck Bay Aboriginal Community Council</p>

Table B10: Entities within the sectoral classifications (continued)

General government sector entities (continued)
<p>Social Services Portfolio</p> <p>Aged Care Standards and Accreditation Agency Ltd, Australian Institute of Family Studies, Department of Human Services, Department of Social Services, National Disability Insurance Agency</p>
<p>Treasury Portfolio</p> <p>Australian Bureau of Statistics, Australian Competition and Consumer Commission, Australian Office of Financial Management, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Australian Taxation Office, Clean Energy Finance Corporation, Commonwealth Grants Commission, Corporations and Markets Advisory Committee, Department of the Treasury, Inspector-General of Taxation, National Competition Council, Office of the Auditing and Assurance Standards Board, Office of the Australian Accounting Standards Board, Productivity Commission, Royal Australian Mint</p>
<p>Parliamentary Departments</p> <p>Department of Parliamentary Services, Department of the House of Representatives, Department of the Senate, Parliamentary Budget Office</p>
Public financial corporations
<p>Employment Portfolio</p> <p>Coal Mining Industry (Long Service Leave Funding) Corporation</p>
<p>Finance and Portfolio</p> <p>Medibank Private Ltd</p>
<p>Foreign Affairs and Trade Portfolio</p> <p>Export Finance and Insurance Corporation</p>
<p>Treasury Portfolio</p> <p>Australia Reinsurance Pool Corporation, Reserve Bank of Australia</p>

Table B10: Entities within the sectoral classifications (continued)

Public non-financial corporations
Attorney-General's Portfolio Australian Government Solicitor
Communications Portfolio Australian Postal Corporation, NBN Co Ltd
Finance Portfolio Albury-Wodonga Development Corporation, ASC Pty Ltd, Australian River Co. Ltd
Infrastructure and Regional Development Portfolio Airservices Australia, Australian Rail Track Corporation Ltd, Moorebank Intermodal Company Ltd
Prime Minister and Cabinet Portfolio Voyages Indigenous Tourism Australia Pty Ltd
Social Services Portfolio Australian Hearing Services

Differences between ABS GFS and AAS framework

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues and expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, over-riding AASB 127 *Consolidated and Separate Financial Statements*. AASB 1049 also follows ABS GFS by requiring changes in net worth to be split into either transactions or 'other economic flows' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*.⁶

⁶ Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods*, 2005 (cat. no. 5514.0).

Some of the major differences between AAS and the ABS GFS treatments of transactions are outlined in Table B11. Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

Table B11: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Acquisition of defence weapons platforms (DWP)	Treated as capital expenditure. DWP appear as a non-financial asset on the balance sheet. Depreciation expense on assets is recorded in the operating statement. AASB 1049 requires cost to be used where fair value of the assets cannot be reliably measured.	ABS has updated its treatment in its GFS reports to record DWP as a non-financial asset on a market value basis. This represents an early adoption of changes to the System of National Accounts.	AAS
Circulating coins — seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coin is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Provisions for bad and doubtful debts	Reported in the balance sheet as an offset to assets. Under AASB 1049, it is included in the operating statement as other economic flows.	Creating provisions for bad and doubtful debts is not considered an economic event and is therefore not considered to be an expense or reflected in the balance sheet.	AAS
Advances to the International Development Association and Asian Development Fund	Recorded at fair value in the balance sheet.	Recorded at nominal value in balance sheet.	ABS GFS
Concessional loans	Discounts concessional loans by a market rate of a similar instrument.	Does not discount concessional loans as no secondary market is considered to exist.	AAS
Investment in other public sector entities	Valued at fair value in the balance sheet as long as it can be reliably measured, otherwise net assets is permissible.	Unlisted entities valued based on their net assets in the balance sheet.	AAS
Provision for restoration, decommissioning and make-good	Included in the fiscal balance capital adjustment.	Excluded from the calculation of net lending capital adjustment.	AAS
Renewable Energy Certificates (RECs)	The issuance and registration of such certificates are considered to be an administrative function and does not result in the recognition of an asset or liability and therefore no revenue or expense is recognised.	The issuance and registration of such certificates are considered to be government financial transactions resulting in the recognition of assets, liabilities, revenue and expenses.	AAS

Appendix B: Australian Government Budget Financial Statements

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Carbon tax	The issuance and surrender of free carbon units and ACCUs used in the settlement of emissions liabilities are not recognised.	This issuance and surrender of free carbon units and ACCUs used in the settlement of emissions' liabilities are treated as expenses and revenues respectively.	ABS GFS
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.	ABS GFS
Commercial tax effect accounting assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that corporations record tax expenses on a consistent basis to the Australian Taxation Office.	ABS GFS
Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Fiscal aggregates differences			
Finance leases	Does not deduct finance leases in the derivation of the cash surplus/deficit.	Deducts finance leases in the derivation of the cash surplus/deficit.	Both are disclosed
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Classification difference			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	ABS GFS
Spectrum sales	Recognise non-financial asset sales for fiscal balance when licences are transferred, which may be after the auction of licences, as this is regarded as the point control is transferred. Recognise cash at the time of receipt.	Recognise non-financial asset sales for fiscal balance at time of auction as this is regarded as the point control is transferred. Recognise cash at the time of receipt	AAS

Attachment B

AUSTRALIAN LOAN COUNCIL ALLOCATION

Under the Loan Council arrangements, every year the Commonwealth and each State and Territory government nominate a Loan Council Allocation (LCA). A jurisdiction's LCA incorporates:

- the estimated non-financial public sector ABS GFS cash surplus/deficit (made up from the balances of the general government (GGS) and public non-financial corporations (PNFC) sectors and total non-financial public sector (NFPS) acquisitions under finance leases and similar arrangements);
- net cash flows from investments in financial assets for policy purposes; and
- memorandum items, which involve transactions that are not formally borrowings but nevertheless have many of the characteristics of borrowings.

LCA nominations are considered by the Loan Council, having regard to each jurisdiction's fiscal position and infrastructure requirements, as well as the macroeconomic implications of the aggregate figure.

As set out in Table B12, the Commonwealth's revised estimate for the 2013-14 LCA is a \$54.4 billion deficit, which is a deterioration of \$25.4 billion from the LCA deficit of \$29.0 billion at the 2013-14 Budget. The revised LCA estimate falls outside the tolerance limit set at Budget. This change primarily reflects write-downs in tax receipts as well as resolving legacy issues from the former Government.

Table B12: 2013-14 Commonwealth Loan Council Allocation

		Budget estimate	MYEFO estimate
		\$m	\$m
	GGS cash surplus(-)/deficit(+)	14,736	43,650
	PNFC sector cash surplus(-)/deficit(+)	4,862	3,641
	NFPS cash surplus(-)/deficit(+)(a)	19,599	47,291
<i>plus</i>	Acquisitions under finance leases and similar arrangements	469	469
<i>equals</i>	ABS GFS cash surplus(-)/deficit(+)	20,067	47,759
<i>minus</i>	Net cash flows from investments		
	in financial assets for policy purposes(b)	-10,073	-7,522
<i>plus</i>	Memorandum items(c)	-1,121	-870
	Loan Council Allocation	29,019	54,412

(a) May not directly equate to the sum of the GGS and the PNFC sector due to inter-sectoral transfers which are netted out.

(b) Net cash flows from investments in financial assets for policy purposes are displayed with the same sign as they are reported in cash flow statements. Such transactions involve the transfer or exchange of a financial asset and are not included within the cash surplus/deficit. However, the cash flow from investments in financial assets for policy purposes has implications for a government's call on financial markets.

(c) For the Commonwealth's LCA outcome, memorandum items include the change in net present value (NPV) of operating leases (with NPV greater than \$5 million) and the over-funding of superannuation and the net financing requirement of the Australian National University.

APPENDIX C: STATEMENT OF RISKS

OVERVIEW

Full details of fiscal risks and contingent liabilities are provided in Budget Paper No. 1, *Budget Strategy and Outlook 2013-14*. The following statement updates fiscal risks and contingent liabilities and assets that have materially changed since the 2013-14 Budget. Risks updated in the *Pre-Election and Fiscal Outlook 2013* (PEFO) have also been included and, where appropriate, updated in the following statement for completeness.

The forward estimates of revenue and expenses in the *Mid-Year Economic and Fiscal Outlook 2013-14* (MYEFO) incorporate assumptions and judgments based on the best information available at the time of publication together with a range of economic assumptions and other forecasts and projections.

To the extent that unanticipated changes in economic circumstances occur, their impact will flow through to government payments and revenue forecasts in particular.

Major taxes such as company and individuals' income taxes fluctuate significantly with economic activity. Capital gains tax is particularly volatile and is affected by both the level of gains in asset markets and the timing of when those gains are realised. Consistent with Government policy, the MYEFO estimates include the impact of the repeal of the carbon tax and the minerals resource rent tax from 1 July 2014. The timing of the passage of the repeal bills beyond 1 July 2014 could cause variations in the revenues forecast for these taxes.

In addition, revenue forecasting relies heavily on the observed historical relationships between the economy, tax bases and tax revenues. Such relationships may shift over time as the economy changes, presenting a further risk to the estimates.

The estimates and projections of revenue are subject to a number of general risks that can affect taxation collections. These general pressures include failure of the tax system to keep pace with changes in the business environment, tax avoidance, court decisions and Australian Taxation Office rulings, and the outcome of compliance programmes. These pressures may result in a shift in the composition of taxation collected from the various tax bases and/or a change in the size of the tax base.

DETAILS OF FISCAL RISKS AND CONTINGENT LIABILITIES

New or revised fiscal risks and contingent liabilities with a possible impact on the forward estimates greater than \$20 million in any one year, or \$50 million over the forward estimates period, that have arisen or changed since the 2013-14 Budget are described below and summarised in Table C1.

Appendix C: Statement of risks

Information on both contingent assets and contingent liabilities is also provided in the annual financial statements of departments, agencies and non-budget entities.

Table C1: Summary of material changes to the Statement of risks since the 2013-14 Budget(a)

Fiscal risks		
Defence		
Major overseas operations of the Australian Defence Force in Afghanistan and the Middle East		Modified
Treasury		
Standby loan facility for the Government of Indonesia		Modified
Contingent liabilities — quantifiable		
Communications		
NBN Co Limited — Equity Agreement		Modified
Telstra Financial Guarantee		Modified
Defence		
Indemnities and remote contingencies		Modified
Environment		
Low Carbon Australia Limited — Board of Directors' and senior management indemnities		New
Foreign Affairs and Trade		
Export Finance and Insurance Corporation		Modified
Social Services		
Accommodation Bond Guarantee Scheme		Modified
Treasury		
Australian Taxation Office — tax disputes		Modified
Contingent liability for the payment of unclaimed monies under the <i>Banking Act 1959</i> , <i>Life Insurance Act 1995</i> and the <i>Corporations Act 2001</i>		Removed
Guarantees under the <i>Commonwealth Bank Sale Act 1995</i>		Modified
International Financial Institutions — uncalled capital subscriptions		Modified
International Monetary Fund		Modified
Reserve Bank of Australia — guarantee		Modified
Contingent liabilities — unquantifiable		
Agriculture		
Compensation claims arising from equine influenza outbreak		Modified
Attorney-General's		
Australian Victims of Terrorism Overseas Payment		Modified
Communications		
Termination of the funding agreement with OPEL		Modified
Defence		
Indemnities and remote contingencies		Modified
Litigation cases		Modified
Environment		
End of lease at the former National Halon Bank site, Braybrook, Victoria		Modified
Murray-Darling Basin Reform — additional net costs		Modified

Table C1: Summary of material changes to the Statement of risks since the 2013-14 Budget (continued)(a)

Contingent liabilities — unquantifiable (continued)	
Finance	
Australian Government Domestic Property	New
Comcover — insurance claims and reinsurance recoveries	Modified
Contractual Leasing Agreement	Removed
Litigation — Davis Samuel case	Modified
Immigration and Border protection	
Immigration detention services by State and Territory governments liability limit	Modified
Industry	
Gorgon liquefied natural gas and carbon dioxide storage project — long-term liability	Modified
Snowy Hydro Limited — Directors' indemnity	Removed
Infrastructure and Regional Development	
Moorebank Intermodal Company Limited (MIC) — Board Members' Indemnity	New
Indemnity provided to the New South Wales Rural Fire Fighting Service in relation to the Jervis Bay Territory	New
Social Services	
Business Services Wage Assessment Tool (BSWAT)	New
National Disability Insurance Scheme (NDIS)	New
Treasury	
Financial Claims Scheme	Modified
Guarantee of State and Territory Borrowing	Modified
Guarantee Scheme for Large Deposits and Wholesale Funding	Modified
Contingent assets — unquantifiable	
Industry	
Wireless Local Area Network	Modified

(a) Risks appearing in Budget Paper No. 1, Budget Strategy and Outlook 2013-14, Statement 8, but not listed in the table above are substantially unchanged.

FISCAL RISKS

Fiscal risks comprise general developments or specific events that may affect the fiscal outlook. Some developments or events raise the possibility of a fiscal impact. In other cases, the likelihood of a fiscal impact may be reasonably certain, but will not be included in the forward estimates because the timing or magnitude is not known.

DEFENCE

Major overseas operations of the Australian Defence Force in Afghanistan and the Middle East

The estimates for the Department of Defence include the cost of major overseas operations of the Australian Defence Force in Afghanistan and the Middle East throughout 2013-14. Current estimates do not provide for extensions of currently approved operations beyond 2013-14. Such funding is considered on a year-by-year basis and is subject to future decisions of the Government. This is consistent with past practice.

TREASURY

Standby loan facility for the Government of Indonesia

Effective 19 July 2013, Australia has made up to A\$1 billion available to the Government of Indonesia in the form of a standby loan facility, to be drawn down should Indonesia be unable to raise sufficient funds at reasonable interest rates on global capital markets due to the impact of financial market volatility. Contributions to the standby loan facility will also be provided by the World Bank, the Asian Development Bank and the Government of Japan. This facility is available to Indonesia up to 30 June 2014. A drawdown from the facility will be dependent on a request from the Indonesian Government and subject to certain criteria being met. Any funds provided will be repaid in full with interest.

CONTINGENT LIABILITIES — QUANTIFIABLE

Communications

NBN Co Limited — Equity Agreement

The Australian Government has entered into an Equity Funding Agreement with NBN Co. The Agreement formalises the Commonwealth's intention to provide equity to fund the roll out of the National Broadband Network, with such funding being conditional on the annual appropriation processes. In addition, it commits the Commonwealth, in the event of a termination of the National Broadband Network roll out, to provide sufficient funds to NBN Co to meet its direct costs arising from that termination. The NBN Co Equity Agreement terminates in 2021. As at 31 October 2013, NBN Co's termination liabilities were estimated at \$5.3 billion.

Telstra Financial Guarantee

The Australian Government has provided a guarantee to Telstra in respect of NBN Co's financial obligations to Telstra under the Definitive Agreements. The Definitive Agreements are long-term contracts and, in the case of the infrastructure component, involve terms of at least 35 years. The liabilities under the Definitive Agreements arise progressively during the roll out of the network as infrastructure is accessed and subscribers to Telstra's existing network are disconnected. As at 31 October 2013, NBN Co had generated liabilities covered by the guarantee estimated at \$2.5 billion. The guarantee will terminate when NBN Co achieves specified credit ratings for a period of two continuous years and either:

- the company is fully capitalised; or
- the Communications Minister declares, under the *National Broadband Network Companies Act 2011*, that, in his or her opinion, the National Broadband Network should be treated as built and fully operational.

Defence

Indemnities and remote contingencies

As at 6 November 2013, Defence carried 1,755 instances of quantifiable significant remote contingent liabilities with a nominal value of \$3.8 billion. These significant remote contingent liabilities are restricted in nature and details are not given due to reasons of commercial in confidence and/or national security. While these contingencies are considered remote, they have been reported in aggregate for completeness. The increase in the nominal value since the 2012-13 Defence financial statements has predominantly resulted from indemnities relating to classified military exercises.

As at 31 October 2013, the Defence Materiel Organisation carried 78 contingencies that are quantifiable, to the value of \$2.8 billion. These significant remote contingent liabilities are restricted in nature and details are not given due to reasons of commercial in confidence and/or national security. While these contingencies are considered remote, they have been reported in aggregate for completeness.

Environment

Low Carbon Australia Limited — Board of Directors' and senior management indemnities

The Australian Government has provided indemnities to directors and company officers of Low Carbon Australia Limited (LCAL). A total of seven indemnity deeds have been executed. Each indemnity covers liability incurred by a director or officer arising from the implementation of the merger of LCAL with the Clean Energy Finance Corporation. An aggregate cap of \$100 million to cover all claims has been established, and the indemnities will operate for seven years from execution.

Foreign Affairs and Trade

Export Finance and Insurance Corporation

The Australian Government guarantees the due payment of money that is, or may at any time become, payable by the Export Finance and Insurance Corporation (EFIC) to anybody other than the Government. The Government also has in place a \$200 million callable capital facility available to EFIC on request to cover liabilities, losses and claims. As at 31 October 2013, the Government's total contingent liability was \$3.3 billion. The \$3.3 billion contingent liability comprises EFIC's liabilities to third parties (\$2.5 billion) and EFIC's overseas investment insurance, contracts of insurance and guarantees (\$833 million). Of the total contingent liability, \$2.6 billion relates to EFIC's Commercial Account and \$725 million relates to the National Interest Account.

Social Services

Accommodation Bond Guarantee Scheme

The Accommodation Bond Guarantee Scheme (the Guarantee Scheme) guarantees the repayment of residents' accommodation bond and entry contribution balances if their

Appendix C: Statement of risks

approved provider becomes insolvent or bankrupt and defaults on its refund obligations. In return for the payment, the rights that the resident had to recover the amount from their approved provider are transferred to the Commonwealth so it can pursue the approved provider for the funds. In cases where the funds are unable to be recovered, the Australian Government may levy all approved providers holding bonds to meet any shortfall. On 30 June 2012, the maximum contingent liability, in the unlikely event that all providers defaulted, was approximately \$13.1 billion.

Amendments were recently made to the Guarantee Scheme through the *Aged Care (Bond Security) Amendment Act 2013* and the *Aged Care (Bond Security) Levy Amendment Act 2013*. These amendments extend the current guarantee for bonds paid by aged care residents, to also cover future lump sum accommodation payments paid by aged care residents. Under these amendments, bonds paid by aged care residents (before 1 July 2014), and refundable accommodation deposits and refundable accommodation contributions made by aged care residents (after 1 July 2014) are guaranteed by the Government if an aged care provider becomes insolvent or bankrupt.

Treasury

Australian Taxation Office — tax disputes

At any point in time the Australian Taxation Office is involved in a range of dispute resolution processes, including litigation, relating to tax disputes.

Details of the outcome of dispute resolution processes are uncertain until a court ruling is made and/or an agreement is reached with the taxpayer at some future date. As a result, in most cases it is not possible to estimate with any reliability the likely financial impact of current disputes. The estimated aggregate value of tax in dispute as at 31 October 2013, for which a provision has not been made, is \$7.0 billion.

Outcomes of dispute resolution processes, including objections, settlements and court and tribunal decisions, as well as amounts owed by taxpayers that are subject to dispute, including objections and appeals, are set out in the Commissioner of Taxation's Annual Report each year.

Guarantees under the *Commonwealth Bank Sale Act 1995*

Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various superannuation and other liabilities; \$751 million is attributable to liabilities of the Commonwealth Bank of Australia, as at 30 June 2013, and \$4.2 billion is attributable to liabilities of the Commonwealth Bank Officers' Superannuation Corporation, as at 30 June 2013.

International Financial Institutions — uncalled capital subscriptions

The Australian Government has held an uncalled capital subscription in the International Bank for Reconstruction and Development (IBRD) since 1947. The Government is contributing additional resources to the IBRD as part of the general capital increase agreed in 2010. As part of this process, Australia will increase its

uncalled capital subscription so that it totals US\$3.6 billion (estimated value A\$3.8 billion as at 14 November 2013).

The Australian Government has also held an uncalled capital subscription in the European Bank for Reconstruction and Development (EBRD) since 1991. Australia increased its uncalled capital subscription (effective 20 April 2011) to the EBRD as part of its 2010 general capital increase, so that it totals EUR237.5 million (estimated value A\$342.3 million as at 14 November 2013).

The Australian Government has further held an uncalled capital subscription in the Asian Development Bank (ADB) since 1966. Australia increased its uncalled capital subscription (effective 11 January 2010) to the ADB as part of its 2010 general capital increase, so that it totals US\$7.0 billion (estimated value A\$7.5 billion as at 14 November 2013).

Australia has further held an uncalled capital subscription in the Multilateral Investment Guarantee Agency of US\$26.5 million (estimated value A\$28.3 million as at 14 November 2013). None of these international financial institutions have ever drawn on Australia's uncalled capital subscriptions.

International Monetary Fund

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow (NAB) since 1998. The value of Australia's NAB credit arrangement is Special Drawing Rights (SDR, the IMF's unit of account) 4.4 billion (estimated value A\$7.2 billion at 30 September 2013). This is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. As agreed by G20 Finance Ministers and IMF Governors in late 2010, the credit arrangements of all NAB participants, including Australia, will be reduced when the increase in IMF quotas come into effect. This was anticipated to occur in 2012-13; however, due to a delay in the implementation of the above agreement by the United States it is now anticipated to occur in 2013-14.

In addition to the NAB credit line, as part of a broad international effort to increase the resources available to the IMF, Australia has committed to provide a US\$7.0 billion (calculated as SDR 4.6 billion, approximately A\$7.6 billion at 30 September 2013) contingent bilateral loan to the IMF. This loan entered into force following passage of enabling legislation in June 2013. The contingent loan is on terms consistent with separate bilateral loan and note purchase agreements to be concluded between the IMF and all contributing countries. It will be drawn upon by the IMF only if needed to supplement the IMF's quota and NAB resources and any loans would be repaid in full with interest. The increase in the IMF's resources will help ensure that it has the capability to address any potential vulnerability facing the global economy.

Reserve Bank of Australia — guarantee

The Australian Government guarantees the liabilities of the Reserve Bank of Australia. It is measured as the Bank's total liabilities excluding capital, reserves, and Australian

Government deposits. The major component of the Bank's liabilities is notes (that is, currency) on issue. Notes on issue amount to \$59 billion, as at 31 October 2013, and the total guarantee is \$65 billion.

CONTINGENT LIABILITIES — UNQUANTIFIABLE

Agriculture

Compensation claims arising from equine influenza outbreak

The Australian Government may become liable for compensation should it be found negligent in relation to the outbreak of equine influenza in 2007.

Proceedings have commenced in the Federal Court of Australia by Maurice Blackburn Lawyers with Attwood Marshall Lawyers who represent a closed class of applicants (586) claiming damages as a result of the 2007 equine influenza outbreak. No final quantum of damages sought can be calculated. The Department of Finance, which has responsibility for Comcover (the Australian Government's general insurance fund), has assumed responsibility for the potential claims under its insurance arrangements with the Department of Agriculture.

Attorney-General's

Australian Victims of Terrorism Overseas Payment

The *Social Security Amendment (Supporting Australian Victims of Terrorism Overseas) Act 2012* inserted Part 2.24AA into the *Social Security Act 1991* (the Act) to create a scheme for providing financial assistance to Australians who are victims of an overseas terrorist act that has been declared by the Prime Minister. The scheme commenced on 22 January 2013. Under the scheme, Australians harmed (primary victims) and Australians who are close family members of a person who dies as a direct result of a declared terrorist act (secondary victims) will be able to claim payments of up to \$75,000. As acts of terrorism are unpredictable, the cost of the scheme is unquantifiable.

Communications

Termination of the funding agreement with OPEL

Following the termination of its agreement with OPEL Network Pty Ltd (OPEL) under the Broadband Connect program, the Commonwealth made provision towards costs incurred by OPEL in producing its Implementation Plan. OPEL was wound up on 13 March 2009. Proceedings were commenced in the NSW Federal Court by the OPEL Liquidators and Optus on 5 September 2013 in respect of the termination of the funding agreement (including a claim relating to the costs for the preparation of the Implementation Plan).

Defence

Indemnities and remote contingencies

As at the 31 October 2013, the Defence Materiel Organisation carried 444 instances of contingencies (including Foreign Military Sales) that are unquantifiable. While these contingencies are considered remote, they have been reported in aggregate for completeness.

Litigation cases

The Department of Defence is involved in a wide range of litigation and other claims for compensation and/or damages that may result in litigation where the matters are not able to be finalised by use of negotiation. The litigation includes common law liability claims, including injury from alleged exposure to hazardous substances in the workplace. A number of claims have also been received for damage caused by the use of a Defence Practice Area. There is also the potential for a number of claims to arise out of reviews into Australian Defence Force and Defence culture.

Environment

End of lease at the former National Halon Bank site, Braybrook, Victoria

The Department of Environment exited a lease at the former National Halon Bank site in Victoria on 28 June 2013. Some environmental contamination has been detected and investigations have been conducted on the cause, source and timing of the contamination. The Commonwealth is now engaged in negotiations with the relevant parties on potential soil and groundwater remediation options and costs. The site owner has engaged an independent site auditor through Environment Protection Authority Victoria to conduct an environmental audit of the entire site, of which the former National Halon Bank site was a small portion. The Department will be limited in progressing the negotiations with all parties until the entire site audit is complete, which is expected in 2014.

Murray-Darling Basin Reform — additional net costs

Under the 2013 *Intergovernmental Agreement on Implementing Water Reform in the Murray-Darling Basin*, signatory Basin States have agreed that the capped financial support provided through the associated National Partnership for state implementation payments replaces the 'No Net Additional Costs' provision under the 2008 *Intergovernmental Agreement on Murray-Darling Basin Reform*.

As at 7 November 2013, Victoria, South Australia and the ACT had signed the 2013 Intergovernmental Agreement, whilst NSW and Queensland were considering the matter further and are thus still covered under the provisions of the 2008 Intergovernmental Agreement. The 2008 Intergovernmental Agreement specified that the Basin States will not bear additional net costs as a consequence of the reforms agreed between the parties and implementation of the *Water Act 2007*. This undertaking ceases on 30 June 2015.

Finance

Australian Government Domestic Property

The Australian Government's domestic property portfolio managed by the Department of Finance has approximately 100 properties. A small number of these have had potential remediation issues identified which are currently the subject of further investigation. Except for one property at Lucas Heights NSW, none of the remaining properties with potential remediation issues have had a provision recognised as the conditions for neither legal nor constructive obligations have been met, nor is a reliable estimate of the obligation currently possible.

Comcover — insurance claims and reinsurance recoveries

The Department of Finance (Finance) manages Comcover, the Australian Government's general self-insurance fund which provides insurance and risk management services to Australian Government departments and agencies. Finance's liability for outstanding claims includes the expected future cost of claims notified as well as claims incurred but not reported. The provision for claims is subject to inherent uncertainty in the estimation process.

Litigation — Davis Samuel case

The Australian Government was subject to a counter-claim for damages in legal action before the Australian Capital Territory Supreme Court. The Australian Government is seeking to recover funds which were misappropriated from the Department of Finance and Deregulation during 1998. The judgment, handed down on 1 August 2013, dismissed the counter claim against the Australian Government and found in favour of the Australian Government in its claims against the defendants. Final orders are yet to be made. The Court extended the time for appeals to 28 days after final orders are made.

Immigration and Border Protection

Immigration detention services by State and Territory governments — liability limit

The Department of Immigration and Border Protection (DIBP) is negotiating arrangements with a number of State and Territory governments for the provision of various services (including health, education, corrections and policing services) to immigration detention facilities and people in immigration detention. Some jurisdictions are seeking indemnification by the Commonwealth for the provision of those services.

In June 2012, the then Minister for Immigration and Citizenship wrote to the Minister for Finance and Deregulation seeking agreement under regulation 10 of the *Financial Management and Accountability Regulations 1997* (FMA Regulations) for expenditure that may become payable under those arrangements.

In September 2012, the then Minister for Finance and Deregulation agreed that DIBP could consider entering arrangements which include the relevant indemnities, as per the indemnity parameters listed in the table below.

DIBP is now seeking to standardise indemnity arrangements across all State and Territories for police and education service streams.

DIBP summary of indemnity arrangements with States and Territories

Jurisdiction	Services Streams			
	Health	Education	Correction	Police
New South Wales	N/A	\$5 million per claim or event*	Uncapped liability	\$5 million per claim or event*
Victoria	Uncapped liability	Uncapped liability	N/A	\$5 million per claim or event
Queensland	N/A	\$5 million per claim or event*	N/A	\$5 million per claim or event*
Western Australia	Uncapped liability	Uncapped liability	N/A	\$5 million per claim or event
South Australia	\$5 million per claim or event	\$5 million per claim or event	N/A	\$5 million per claim or event
Tasmania	N/A	\$5 million per claim or event*	N/A	\$5 million per claim or event*
Australian Capital Territory	N/A	\$5 million per claim or event*	N/A	\$5 million per claim or event*
Northern Territory	N/A	\$5 million per claim or event*	N/A	\$5 million per claim or event*

N/A — Not Applicable

*To be formally agreed by Minister for Finance

Industry

Gorgon liquefied natural gas and carbon dioxide storage project — long-term liability

The Australian and Western Australian governments have agreed to provide an indemnity to the Gorgon Joint Venture Partners (GJV) to indemnify the GJV against independent third-party claims (relating to stored carbon dioxide) under common law following closure of the carbon dioxide sequestration project, and subject to conditions equivalent to those set out in the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*. It is proposed that the Western Australian Government will indemnify the GJV, and that the Australian Government will indemnify the Western Australian Government for 80 per cent of any amount determined to be payable under that indemnity. The

formal agreement between the Australian and Western Australian governments in relation to the indemnity is expected to be signed in 2013-14.

Infrastructure and Regional Development

Moorebank Intermodal Company Limited (MIC) — Board Members' Indemnity

The Australian Government has provided certain indemnities for the board members of the Moorebank Intermodal Company Limited (MIC) to protect them against civil claims relating to their employment and conduct as directors. The indemnities apply to the period of appointment as board members of the company. Until the indemnity agreements are varied or brought to an end, they will remain as contingent and unquantifiable liabilities.

Indemnity provided to the New South Wales Rural Fire Fighting Service in relation to the Jervis Bay Territory

The Department of Infrastructure and Regional Development is required to engage the NSW Rural Fire Service (NSW RFS) to provide fire management support for the volunteer brigade located in the Jervis Bay Territory (JBT). To provide this service, the NSW RFS requires the Commonwealth to provide an uncapped indemnity whereby the Commonwealth would be liable for any damage caused as a result of the actions of the NSW RFS in the JBT while fighting a fire. The likelihood of an event occurring that may result in a liability for the Commonwealth has been assessed as very remote and the risks are currently mitigated through the training and professional qualifications of the NSW RFS staff.

Social Services

Business Services Wage Assessment Tool (BSWAT)

The Australian Government may potentially become liable for a range of costs following a Full Federal Court ruling (21 December 2012) that the use of the Business Services Wage Assessment Tool (BSWAT) to assess the wages of two intellectually disabled employees constituted unlawful discrimination under the *Disability Discrimination Act 1992*.

The Australian Government's potential liability cannot be quantified at this time.

National Disability Insurance Scheme (NDIS)

In bilateral negotiations, the Australian Government has committed to provide temporary, untied financial assistance to some jurisdictions that expect to have their GST entitlements adversely affected during the transition to the National Disability Insurance Scheme (NDIS).

Under this commitment, the expected liability will depend on a range of factors including when all jurisdictions reach full scheme and any impact resulting from the Commonwealth Grants Commission's 2015 Methodology Review, scheduled to be completed in February 2015. The Review will consider the most appropriate treatment

of disability services for GST distribution purposes, both during the transition to the NDIS and once the full scheme is operating nationally. Any impact on the Government's budget is not expected to occur before 2016-17.

Treasury

Financial Claims Scheme

The Financial Claims Scheme provides depositors of authorised deposit taking institutions (ADIs) and policyholders of general insurers (GIs) with timely access to their funds in the event of a financial institution failure.

The Australian Prudential Regulation Authority (APRA) is responsible for the administration of the Financial Claims Scheme. Under the Financial Claims Scheme any payments to eligible depositors or policyholders will be made out of APRA's Financial Claims Scheme Special Account.

The Financial Claims Scheme established under the *Banking Act 1959* provides a mechanism for making payments to depositors under the Government's guarantee of deposits in ADIs. Payments are capped at \$250,000 per account holder per ADI. As at 30 June 2013, deposits eligible for coverage under the Financial Claims Scheme were estimated to be approximately \$692.3 billion, compared to \$688.2 billion at 31 March 2013, reflecting overall deposit growth in the financial system.

The Financial Claims Scheme established under the *Insurance Act 1973* provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed general insurer.

In the very unlikely event of an ADI failure, any payments made under the Financial Claims Scheme would be recovered through the liquidation of the failed institution. If there was a shortfall in the amount recovered through the liquidation of the failed institution, a levy could be applied to ADIs to recover the difference between the amount expended and the amount recovered in the liquidation. From 2016, subject to the outcomes of the Financial System Inquiry, the payments would initially be met from the Financial Stability Fund announced in the 2013 Economic Statement. In this case, a levy could be applied to ADIs to recover the difference between the amount expended and the amount recovered in the liquidation and from the Financial Stability Fund.

In the very unlikely event of a GI failure, any payments made under the Financial Claims Scheme would be recovered through the liquidation of the failed institution. In the event that there was a shortfall in the amount recovered, a levy would be applied to GIs to recover the difference between the amount expended and the amount recovered in the liquidation.

Under the legislation, initial amounts available to meet payments and administer the Financial Claims Scheme, in the event of activation are \$20.1 billion per institution.

Guarantee of State and Territory Borrowing

The Australian Government announced on 25 March 2009 that a voluntary, temporary guarantee would be put in place over State and Territory borrowing. The Guarantee of State and Territory borrowing commenced on 24 July 2009 and closed on 31 December 2010.

Securities covered by the guarantee will continue to be guaranteed until these securities either mature or are bought back and extinguished by the issuer.

The expected liability under the guarantee is remote and unquantifiable. Australian Government expenditure would arise under the guarantee only in the unlikely event that a State or Territory failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant State or Territory at a future date. The impact on the Government's budget would depend upon the extent of the default and the State or Territory's ability to meet the Government's claim.

As at 31 October 2013, the face value of State and Territory borrowings covered by the guarantee was \$21.0 billion, down from \$25.4 billion at 30 June 2013.

Guarantee Scheme for Large Deposits and Wholesale Funding

The Australian Government announced the guarantee of eligible deposits and wholesale funding for authorised deposit taking institutions from 12 October 2008 under the Guarantee Scheme for Large Deposits and Wholesale Funding.

On 7 February 2010, the Government announced that the Guarantee Scheme would close to new liabilities on 31 March 2010. Since 31 March 2010, Australian authorised deposit taking institutions have been prohibited from issuing any new guaranteed wholesale funding or accepting new guaranteed deposits above \$1 million. Existing guaranteed wholesale funding is guaranteed to maturity. Depositors who covered their balances above \$1 million under the Guarantee Scheme can have those funds covered to maturity for term deposits up to five years, or until October 2015 for at call deposits.

The expected liability under the Guarantee Scheme is remote. Government expenditure would arise under the guarantee only in the unlikely event that an institution failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant institution. The impact on the Government's budget would depend on the extent of the institution's default and its ability to meet the Government's claim.

As at 25 October 2013 total liabilities covered by the Guarantee Scheme were estimated at \$40.7 billion, down from \$48.3 billion at 30 June 2013. This is made up of \$2.3 billion of large deposits and \$38.4 billion (down from \$46.0 billion at 30 June 2013) of

long-term wholesale funding. All guaranteed short-term wholesale funding matured in March 2011.

As at 30 September 2013, institutions participating in the Guarantee Scheme had paid fees of \$4.3 billion since its inception.

CONTINGENT ASSETS — UNQUANTIFIABLE

Industry

Wireless Local Area Network

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) has ongoing patent infringement proceedings in the United States of America and Europe against multiple defendants. The patents cover CSIRO's invention of a wireless local area network (WLAN). CSIRO expects to receive additional revenue which would exceed the associated legal costs.

APPENDIX D: HISTORICAL AUSTRALIAN GOVERNMENT DATA

This appendix reports historical data for the Australian Government fiscal aggregates across the general government, public non-financial corporations and non-financial public sectors.

DATA SOURCES

Data are sourced from Australian Government *Final Budget Outcomes*, the Australian Bureau of Statistics (ABS), the Australian Office of Financial Management and Australian Government *Consolidated Financial Statements*.

- Accrual data from 1996-97 onwards and cash data, net debt data, net financial worth data and net worth data from 1999-2000 onwards are sourced from Australian Government *Final Budget Outcomes*. Back-casting adjustments for accounting classification changes and other revisions have been made from 1998-99 onwards where applicable.
- Cash data prior to 1999-2000 are sourced from ABS data, which have been calculated using methodology consistent with that used for later years in ABS cat. no. 5512.0 *Government Finance Statistics*.
- Net debt data prior to 1999-2000 are from ABS cat. no. 5512.0 *Government Finance Statistics* 2003-04 in 1998-99, ABS cat. no. 5501.0 *Government Financial Estimates* 1999-2000 and ABS cat. no. 5513.0 *Public Sector Financial Assets and Liabilities* 1998 in 1987-88 to 1997-98, and Treasury estimates (see Treasury's *Economic Roundup*, Spring 1996, pages 97-103) prior to 1987-88.

COMPARABILITY OF DATA ACROSS YEARS

The data set contains a number of structural breaks owing to accounting classification differences and changes to the structure of the budget which cannot be eliminated through back-casting because of data limitations. These breaks can affect the comparability of data across years, especially when the analysis is taken over a large number of years. Specific factors causing structural breaks include:

- from 2005-06 onwards, underlying Government Finance Statistics (GFS) data are provided by agencies in accordance with Australian Accounting Standards (AAS) which includes International Financial Reporting Standards (IFRS) as adopted in Australia. Prior to 2005-06, underlying GFS data are based on data provided by agencies applying AAS prior to the adoption of IFRS;

Appendix D: Historical Australian Government Data

- most recent accounting classification changes that require revisions to the historical series have been back-cast (where applicable) to 1998-99, ensuring that data are consistent across the accrual period from 1998-99 onwards. However, because of data limitations, these changes have not been back-cast to earlier years;
- prior to 1999-2000, Australian Government general government sector debt instruments are valued at historic cost, whereas from 1999-2000 onwards they are valued at market prices (consistent with accrual GFS standards). This affects net debt and net interest payments;
- cash data up to and including 1997-98 are calculated under a cash accounting framework, while cash data from 1998-99 onwards are derived from an accrual accounting framework.¹ Although the major methodological differences associated with the move to the accrual framework have been eliminated through back-casting, comparisons across the break may still be affected by changes to some data sources and collection methodologies;
- adjustments in the coverage of agencies included in the accounts of the different sectors. These include the reclassification of Central Banking Authorities from the general government to the public financial corporations sector in 1998-99, and subsequent back-casting to account for this change;
- changes in arrangements for transfer payments, where tax concessions or rebates have been replaced by payments through the social security system. This has the effect of increasing both cash receipts and payments, as compared with earlier periods, but not changing cash balances. Changes in the opposite direction (tax expenditures replacing payments) reduce both cash payments and receipts; and
- classification differences in the data relating to the period prior to 1976-77 (which means that earlier data may not be entirely consistent with data for 1976-77 onwards).

REVISIONS TO PREVIOUSLY PUBLISHED DATA

Under the accrual GFS framework and generally under AAS, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods, and can be reliably assigned to the relevant period(s).

1 Prior to the 2008-09 Budget, cash data calculated under the cash accounting framework was used up to and including 1998-99. In the 2008-09 Budget, cash data prior to 1998-99 have been replaced by ABS data derived from the accrual framework.

INTRODUCTION OF THE HEADLINE CASH BALANCE DATA SERIES

The 2013-14 Mid-Year Economic and Fiscal Outlook (MYEFO) introduces the headline cash balance data series for the Australian Government general government sector at Table D2. The headline cash balance provides an indication of the estimated call on financial markets by including net cash flows from investments in financial assets for policy purposes. Prior to 1999-2000, these amounts were referred to as 'net advances'. Cash data for the headline cash balance data series has been prepared on a basis consistent with the underlying cash balance data series.

INTRODUCTION OF THE FACE VALUE OF COMMONWEALTH GOVERNMENT SECURITIES ON ISSUE DATA SERIES

The 2013-14 MYEFO introduces the historical series on the face value of Commonwealth Government Securities on issue at Table D6. Two series are presented, the first showing total Commonwealth Government Securities on issue, and the second showing total Commonwealth Government Securities on issue subject to the Treasurer's Direction under the *Commonwealth Inscribed Stock Act 1911*. These series are included to increase transparency over the level of Government debt on issue over time.

DEFLATING REAL SPENDING GROWTH BY THE CONSUMER PRICE INDEX

The 2013-14 MYEFO, including the historical series, calculates real spending growth using the Consumer Price Index as the deflator. Previously the non-farm GDP deflator was used and has therefore been shown in this appendix for comparative purposes. The non-farm GDP deflator incorporates fluctuations in global commodity prices which are not relevant for Government expenditures.

Appendix D: Historical Australian Government Data

Table D1: Australian Government general government sector receipts, payments, net Future Fund earnings and underlying cash balance^(a)

	Receipts(b)		Payments(c)				Net Future Fund earnings	Underlying cash balance(d)	
				Per cent real growth	Per cent real growth (NFGDP deflator)(f)	Per cent of GDP			
	\$m	Per cent of GDP	\$m	(CPI)			\$m	\$m	Per cent of GDP
1970-71	8,290	20.5	7,389	na	na	18.3	-	901	2.2
1971-72	9,135	20.5	8,249	4.1	4.7	18.5	-	886	2.0
1972-73	9,735	19.5	9,388	7.7	7.8	18.8	-	348	0.7
1973-74	12,228	20.3	11,078	4.2	3.6	18.4	-	1,150	1.9
1974-75	15,643	22.0	15,463	19.9	14.6	21.7	-	181	0.3
1975-76	18,727	22.5	20,225	15.7	13.5	24.3	-	-1,499	-1.8
1976-77	21,890	22.8	23,157	0.6	1.9	24.1	-	-1,266	-1.3
1977-78	24,019	22.9	26,057	2.7	3.3	24.8	-	-2,037	-1.9
1978-79	26,129	22.0	28,272	0.3	2.7	23.8	-	-2,142	-1.8
1979-80	30,321	22.5	31,642	1.5	2.1	23.5	-	-1,322	-1.0
1980-81	35,993	23.6	36,176	4.6	3.6	23.7	-	-184	-0.1
1981-82	41,499	23.6	41,151	2.9	0.5	23.4	-	348	0.2
1982-83	45,463	24.0	48,810	6.3	6.2	25.8	-	-3,348	-1.8
1983-84	49,981	23.4	56,990	9.4	9.6	26.7	-	-7,008	-3.3
1984-85	58,817	25.0	64,853	9.1	9.0	27.6	-	-6,037	-2.6
1985-86	66,206	25.4	71,328	1.5	3.4	27.3	-	-5,122	-2.0
1986-87	74,724	26.1	77,158	-1.1	0.5	26.9	-	-2,434	-0.8
1987-88	83,491	25.6	82,039	-0.9	-0.3	25.2	-	1,452	0.4
1988-89	90,748	24.6	85,326	-3.1	-4.3	23.1	-	5,421	1.5
1989-90	98,625	24.4	92,684	0.6	2.7	22.9	-	5,942	1.5
1990-91	100,227	24.2	100,665	3.1	4.2	24.3	-	-438	-0.1
1991-92	95,840	22.7	108,472	5.7	5.8	25.6	-	-12,631	-3.0
1992-93	97,633	22.0	115,751	5.6	6.0	26.1	-	-18,118	-4.1
1993-94	103,824	22.2	122,009	3.5	4.4	26.1	-	-18,185	-3.9
1994-95	113,458	22.9	127,619	1.4	2.2	25.7	-	-14,160	-2.9
1995-96	124,429	23.5	135,538	1.9	3.2	25.6	-	-11,109	-2.1
1996-97	133,592	24.0	139,689	1.7	1.5	25.1	-	-6,099	-1.1
1997-98	140,736	23.9	140,587	0.6	-0.7	23.9	-	149	0.0
1998-99	152,063	24.5	148,175	4.1	4.9	23.9	-	3,889	0.6
1999-00	166,199	25.1	153,192	1.0	0.8	23.2	-	13,007	2.0
2000-01	182,996	25.9	177,123	9.1	10.8	25.1	-	5,872	0.8
2001-02	187,588	24.9	188,655	3.5	4.1	25.0	-	-1,067	-0.1
2002-03	204,613	25.5	197,243	1.4	1.4	24.6	-	7,370	0.9
2003-04	217,775	25.3	209,785	3.9	2.6	24.3	-	7,990	0.9
2004-05	235,984	25.6	222,407	3.5	2.0	24.1	-	13,577	1.5
2005-06	255,943	25.6	240,136	4.6	2.6	24.1	51	15,757	1.6
2006-07	272,637	25.1	253,321	2.5	0.5	23.3	2,127	17,190	1.6
2007-08	294,917	25.0	271,843	3.8	2.7	23.1	3,319	19,754	1.7
2008-09	292,600	23.2	316,046	12.7	10.4	25.1	3,566	-27,013	-2.1
2009-10	284,662	22.0	336,900	4.2	5.5	26.0	2,256	-54,494	-4.2
2010-11	302,024	21.5	346,102	-0.4	-3.1	24.6	3,385	-47,463	-3.4

Table D1: Australian Government general government sector receipts, payments, net Future Fund earnings and underlying cash balance^(a) (continued)

	Receipts(b)		Payments(c)				Net Future Fund earnings	Underlying cash balance(d)	
					Per cent real growth (NFGDP deflator)(f)	Per cent of GDP			
	\$m	Per cent of GDP	\$m	Per cent (CPI)			\$m	\$m	Per cent of GDP
2011-12	329,874	22.2	371,032	4.8	5.2	25.0	2,203	-43,360	-2.9
2012-13	351,052	23.1	367,204	-3.2	-0.7	24.1	2,682	-18,834	-1.2
2013-14(e)	364,930	23.1	409,049	8.6	10.2	25.9	2,871	-46,989	-3.0
2014-15(e)	382,743	23.5	413,696	-0.9	0.3	25.4	2,953	-33,907	-2.1
2015-16(p)	409,084	24.0	430,029	1.4	2.2	25.2	3,138	-24,083	-1.4
2016-17(p)	432,817	24.2	447,111	1.4	2.3	25.0	3,373	-17,668	-1.0

(a) Data have been revised in the 2013-14 MYEFO to improve accuracy and comparability through time.

(b) Receipts are equal to cash receipts from operating activities and sales of non-financial assets.

(c) Payments are equal to cash payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(d) Underlying cash balance is equal to receipts less payments, less net Future Fund earnings. For the purposes of consistent comparison with years prior to 2005-06, net Future Fund earnings should be added back to the underlying cash balance.

(e) Estimates.

(f) Real spending growth calculated using the Consumer Price Index as the deflator. Real spending growth using the non-farm GDP deflator is included for comparative purposes.

(p) Projections.

Appendix D: Historical Australian Government Data

Table D2: Australian Government general government sector net cash flows for investments in financial assets for policy purposes and headline cash balance^(a)

			Net cash flows from investments in financial assets for policy purposes(c)		Headline cash balance(d)	
	Receipts(b)	Payments(b)				
	\$m	\$m	\$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	8,290	7,389	-851	-2.1	50	0.1
1971-72	9,135	8,249	-987	-2.2	-101	-0.2
1972-73	9,735	9,388	-977	-2.0	-629	-1.3
1973-74	12,228	11,078	-1,275	-2.1	-125	-0.2
1974-75	15,643	15,463	-2,648	-3.7	-2,467	-3.5
1975-76	18,727	20,225	-2,040	-2.4	-3,539	-4.2
1976-77	21,890	23,157	-1,530	-1.6	-2,796	-2.9
1977-78	24,019	26,057	-1,324	-1.3	-3,361	-3.2
1978-79	26,129	28,272	-1,074	-0.9	-3,216	-2.7
1979-80	30,321	31,642	-702	-0.5	-2,024	-1.5
1980-81	35,993	36,176	-962	-0.6	-1,146	-0.8
1981-82	41,499	41,151	-1,008	-0.6	-660	-0.4
1982-83	45,463	48,810	-1,363	-0.7	-4,711	-2.5
1983-84	49,981	56,990	-1,136	-0.5	-8,144	-3.8
1984-85	58,817	64,853	-922	-0.4	-6,959	-3.0
1985-86	66,206	71,328	-810	-0.3	-5,932	-2.3
1986-87	74,724	77,158	-545	-0.2	-2,979	-1.0
1987-88	83,491	82,039	657	0.2	2,109	0.6
1988-89	90,748	85,326	168	0.0	5,589	1.5
1989-90	98,625	92,684	1,217	0.3	7,159	1.8
1990-91	100,227	100,665	1,563	0.4	1,125	0.3
1991-92	95,840	108,472	2,156	0.5	-10,475	-2.5
1992-93	97,633	115,751	2,471	0.6	-15,647	-3.5
1993-94	103,824	122,009	3,447	0.7	-14,738	-3.2
1994-95	113,458	127,619	1,546	0.3	-12,614	-2.5
1995-96	124,429	135,538	5,188	1.0	-5,921	-1.1
1996-97	133,592	139,689	7,241	1.3	1,142	0.2
1997-98	140,736	140,587	15,154	2.6	15,303	2.6
1998-99	152,063	148,175	6,948	1.1	10,837	1.7
1999-00	166,199	153,192	9,500	1.4	22,507	3.4
2000-01	182,996	177,123	5,673	0.8	11,545	1.6
2001-02	187,588	188,655	3,422	0.5	2,355	0.3
2002-03	204,613	197,243	-229	0.0	7,141	0.9
2003-04	217,775	209,785	-452	-0.1	7,538	0.9
2004-05	235,984	222,407	-1,139	-0.1	12,438	1.3
2005-06	255,943	240,136	-1,647	-0.2	14,160	1.4
2006-07	272,637	253,321	7,403	0.7	26,720	2.5
2007-08	294,917	271,843	5,108	0.4	28,181	2.4
2008-09	292,600	316,046	-7,889	-0.6	-31,336	-2.5
2009-10	284,662	336,900	-4,278	-0.3	-56,516	-4.4
2010-11	302,024	346,102	-7,028	-0.5	-51,106	-3.6
2011-12	329,874	371,032	-5,866	-0.4	-47,023	-3.2
2012-13	351,052	367,204	-4,802	-0.3	-20,954	-1.4
2013-14(e)	364,930	409,049	-7,522	-0.5	-51,640	-3.3
2014-15(e)	382,743	413,696	-11,484	-0.7	-42,437	-2.6
2015-16(p)	409,084	430,029	-10,741	-0.6	-31,686	-1.9
2016-17(p)	432,817	447,111	-11,481	-0.6	-25,776	-1.4

(a) Data have been revised in the 2013-14 MYEFO to improve accuracy and comparability through time.

(b) Receipts and payments are identical to those in Table D1.

(c) A negative number reflects a cash outflow such as the purchase of an investment, while a positive number reflects a cash inflow such as the return or sale of an investment.

(d) Headline cash balance is equal to receipts less payments, plus net cash flows from investments in financial assets for policy purposes.

(e) Estimates.

(p) Projections.

Table D3: Australian Government general government sector taxation receipts, non-taxation receipts and total receipts^(a)

	Taxation receipts		Non-taxation receipts		Total receipts(b)	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	7,193	17.8	1,097	2.7	8,290	20.5
1971-72	7,895	17.7	1,240	2.8	9,135	20.5
1972-73	8,411	16.9	1,324	2.7	9,735	19.5
1973-74	10,832	17.9	1,396	2.3	12,228	20.3
1974-75	14,141	19.9	1,502	2.1	15,643	22.0
1975-76	16,920	20.3	1,807	2.2	18,727	22.5
1976-77	19,714	20.5	2,176	2.3	21,890	22.8
1977-78	21,428	20.4	2,591	2.5	24,019	22.9
1978-79	23,409	19.7	2,720	2.3	26,129	22.0
1979-80	27,473	20.4	2,848	2.1	30,321	22.5
1980-81	32,641	21.4	3,352	2.2	35,993	23.6
1981-82	37,880	21.5	3,619	2.1	41,499	23.6
1982-83	41,025	21.7	4,438	2.3	45,463	24.0
1983-84	44,849	21.0	5,132	2.4	49,981	23.4
1984-85	52,970	22.5	5,847	2.5	58,817	25.0
1985-86	58,841	22.6	7,365	2.8	66,206	25.4
1986-87	66,467	23.2	8,257	2.9	74,724	26.1
1987-88	75,076	23.1	8,415	2.6	83,491	25.6
1988-89	83,452	22.6	7,296	2.0	90,748	24.6
1989-90	90,773	22.4	7,852	1.9	98,625	24.4
1990-91	92,739	22.4	7,488	1.8	100,227	24.2
1991-92	87,364	20.6	8,476	2.0	95,840	22.7
1992-93	88,760	20.0	8,873	2.0	97,633	22.0
1993-94	93,362	20.0	10,462	2.2	103,824	22.2
1994-95	104,921	21.2	8,537	1.7	113,458	22.9
1995-96	115,700	21.9	8,729	1.6	124,429	23.5
1996-97	124,559	22.4	9,033	1.6	133,592	24.0
1997-98	130,984	22.2	9,752	1.7	140,736	23.9
1998-99	138,420	22.3	13,643	2.2	152,063	24.5
1999-00	151,313	22.9	14,887	2.3	166,199	25.1
2000-01	170,354	24.1	12,641	1.8	182,996	25.9
2001-02	175,108	23.2	12,481	1.7	187,588	24.9
2002-03	192,131	24.0	12,482	1.6	204,613	25.5
2003-04	206,091	23.9	11,683	1.4	217,775	25.3
2004-05	223,314	24.2	12,669	1.4	235,984	25.6
2005-06	241,215	24.2	14,728	1.5	255,943	25.6
2006-07	257,392	23.7	15,245	1.4	272,637	25.1
2007-08	278,376	23.6	16,540	1.4	294,917	25.0
2008-09	272,627	21.7	19,973	1.6	292,600	23.2
2009-10	260,973	20.1	23,689	1.8	284,662	22.0
2010-11	280,839	20.0	21,185	1.5	302,024	21.5
2011-12	309,943	20.9	19,931	1.3	329,874	22.2
2012-13	326,426	21.4	24,627	1.6	351,052	23.1
2013-14(e)	343,480	21.8	21,451	1.4	364,930	23.1
2014-15(e)	358,603	22.0	24,140	1.5	382,743	23.5
2015-16(p)	384,439	22.5	24,645	1.4	409,084	24.0
2016-17(p)	410,331	22.9	22,485	1.3	432,817	24.2

(a) Data have been revised in the 2013-14 MYEFO to improve accuracy and comparability through time.

(b) Receipts are equal to cash receipts from operating activities and sales of non-financial assets.

(e) Estimates.

(p) Projections.

Appendix D: Historical Australian Government Data

Table D4: Australian Government general government sector (cash) receipts

	Actual	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Individuals and other withholding taxes					
Gross income tax withholding	149,807	157,200	168,800	183,500	196,700
Gross other individuals	33,294	34,000	36,600	40,500	44,700
less: Refunds	26,801	27,200	28,000	29,400	30,700
Total individuals and other withholding tax	156,300	164,000	177,400	194,600	210,700
Fringe benefits tax	3,922	4,090	4,470	4,720	5,010
Company tax	66,911	69,000	70,500	73,700	77,100
Superannuation fund taxes	7,661	6,860	8,760	10,900	11,940
Minerals resource rent tax(a)	310	500	300	0	0
Petroleum resource rent tax	1,507	1,750	2,100	2,200	2,350
Income taxation receipts	236,610	246,200	263,530	286,120	307,100
Goods and services tax	48,596	50,248	52,948	56,039	59,209
Wine equalisation tax	725	740	780	820	870
Luxury car tax	434	400	380	410	430
Excise and customs duty					
Petrol	5,990	5,850	5,650	5,800	5,850
Diesel	8,594	8,990	9,180	9,280	9,490
Other fuel products(b)	nfp	3,820	3,580	3,620	3,660
Tobacco(b)	nfp	8,350	9,110	10,020	10,890
Beer	2,257	2,360	2,360	2,480	2,640
Spirits	1,931	1,990	2,090	2,220	2,330
Other alcoholic beverages(c)	944	970	990	1,040	1,100
Other customs duty					
Textiles, clothing and footwear	676	750	600	420	450
Passenger motor vehicles	892	930	920	920	940
Other imports	1,499	1,570	1,600	1,660	1,760
less: Refunds and drawbacks	354	260	260	260	260
Total excise and customs duty	33,554	35,320	35,820	37,200	38,850
Carbon pricing mechanism	3,631	7,180	1,695	0	0
Agricultural levies	463	459	470	460	464
Other taxes	2,412	2,933	2,980	3,390	3,409
Indirect taxation receipts	89,815	97,280	95,073	98,319	103,231
Taxation receipts	326,426	343,480	358,603	384,439	410,331
Sales of goods and services	9,071	8,626	8,442	8,637	8,733
Interest	3,561	3,591	3,544	3,885	3,960
Dividends	3,420	2,883	3,891	2,699	2,748
Other non-taxation receipts	8,575	6,350	8,263	9,424	7,044
Non-taxation receipts	24,627	21,451	24,140	24,645	22,485
Total receipts	351,052	364,930	382,743	409,084	432,817
<i>Memorandum:</i>					
Total excise	25,412	26,400	26,640	27,690	28,760
Total customs duty	8,143	8,920	9,180	9,510	10,090
Capital gains tax(d)	7,100	7,900	10,700	13,200	15,400
Medicare and DisabilityCare Australia levy(e)	9,788	9,950	10,380	14,035	15,000

(a) Net receipts from the minerals resource rent tax are expected to be \$0.3 billion in 2013-14 and \$0.2 billion in 2014-15 which represents the net receipts impact across different revenue heads. These include the offsetting reductions in company tax (through deductibility) and interactions with other taxes. The Government has announced the minerals resource rent tax will not apply beyond 30 June 2014.

(b) Due to taxpayer confidentiality, the value of receipts from these revenue heads cannot be disclosed for the 2012-13 financial year.

(c) Other alcoholic beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy, and wine).

(d) Capital gains tax is part of gross other individuals, company tax and superannuation fund taxes. The 2012-13 reported figure is an estimate.

(e) The Medicare and DisabilityCare Australia levy liabilities are reported in the year in which the income tax liability is assessed.

Table D5: Australian Government general government sector net debt and net interest payments^(a)

	Net debt(b)		Net interest payments(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	344	0.9	-189	-0.5
1971-72	-496	-1.1	-245	-0.6
1972-73	-790	-1.6	-252	-0.5
1973-74	-1,851	-3.1	-286	-0.5
1974-75	-1,901	-2.7	-242	-0.3
1975-76	-341	-0.4	-330	-0.4
1976-77	898	0.9	-62	-0.1
1977-78	2,896	2.8	4	0.0
1978-79	4,983	4.2	254	0.2
1979-80	6,244	4.6	440	0.3
1980-81	6,356	4.2	620	0.4
1981-82	5,919	3.4	680	0.4
1982-83	9,151	4.8	896	0.5
1983-84	16,015	7.5	1,621	0.8
1984-85	21,896	9.3	2,813	1.2
1985-86	26,889	10.3	3,952	1.5
1986-87	29,136	10.2	4,762	1.7
1987-88	27,344	8.4	4,503	1.4
1988-89	21,981	5.9	4,475	1.2
1989-90	16,123	4.0	4,549	1.1
1990-91	16,915	4.1	3,636	0.9
1991-92	31,041	7.3	3,810	0.9
1992-93	55,218	12.4	3,986	0.9
1993-94	70,223	15.0	5,628	1.2
1994-95	83,492	16.8	7,292	1.5
1995-96	95,831	18.1	8,861	1.7
1996-97	96,281	17.3	9,489	1.7
1997-98	82,935	14.1	8,279	1.4
1998-99	72,065	11.6	8,649	1.4
1999-00	53,869	8.1	7,514	1.1
2000-01	42,719	6.1	6,195	0.9
2001-02	38,180	5.1	5,352	0.7
2002-03	29,047	3.6	3,758	0.5
2003-04	22,639	2.6	3,040	0.4
2004-05	10,741	1.2	2,502	0.3
2005-06	-4,531	-0.5	2,303	0.2
2006-07	-29,150	-2.7	228	0.0
2007-08	-44,820	-3.8	-1,015	-0.1
2008-09	-16,148	-1.3	-1,196	-0.1
2009-10	42,283	3.3	2,386	0.2
2010-11	84,551	6.0	4,608	0.3
2011-12	147,334	9.9	6,609	0.4
2012-13	152,982	10.0	8,285	0.5
2013-14(e)	191,520	12.1	8,828	0.6
2014-15(e)	231,122	14.2	10,617	0.7
2015-16(p)	259,089	15.2	13,466	0.8
2016-17(p)	280,490	15.7	12,824	0.7

(a) Data have been revised in the 2013-14 MYEFO to improve accuracy and comparability through time.

(b) Net debt is equal to the sum of deposits held, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid and investments, loans and placements.

(c) Net interest payments are equal to the difference between interest paid and interest receipts.

(e) Estimates.

(p) Projections.

Appendix D: Historical Australian Government Data

Table D6: Australian Government general government sector face value of Commonwealth Government Securities (CGS) on issue and interest paid

	Face value of CGS on issue(a)					
	Total CGS on issue(b)		Subject to Treasurer's direction(c)		Interest Paid(d)	
	End of year \$m	Per cent of GDP	End of year \$m	Per cent of GDP	\$m	Per cent of GDP
1970-71	10,887	27.0	-	-	580	1.4
1971-72	11,490	25.8	-	-	614	1.4
1972-73	12,217	24.5	-	-	675	1.4
1973-74	12,809	21.2	-	-	712	1.2
1974-75	14,785	20.8	-	-	893	1.3
1975-76	17,940	21.5	-	-	1,001	1.2
1976-77	20,845	21.7	-	-	1,485	1.5
1977-78	23,957	22.8	-	-	1,740	1.7
1978-79	28,120	23.7	-	-	2,080	1.8
1979-80	29,321	21.8	-	-	2,356	1.8
1980-81	30,189	19.8	-	-	2,723	1.8
1981-82	31,060	17.7	-	-	3,058	1.7
1982-83	37,071	19.6	-	-	3,580	1.9
1983-84	45,437	21.3	-	-	4,558	2.1
1984-85	54,420	23.1	-	-	5,952	2.5
1985-86	63,089	24.2	-	-	7,394	2.8
1986-87	67,172	23.4	-	-	8,339	2.9
1987-88	62,794	19.3	-	-	8,139	2.5
1988-89	56,854	15.4	-	-	8,222	2.2
1989-90	48,399	12.0	-	-	8,064	2.0
1990-91	48,723	11.7	-	-	6,994	1.7
1991-92	58,826	13.9	-	-	6,819	1.6
1992-93	76,509	17.2	-	-	6,487	1.5
1993-94	90,889	19.5	-	-	7,709	1.7
1994-95	105,466	21.3	-	-	9,144	1.8
1995-96	110,166	20.8	-	-	10,325	2.0
1996-97	111,067	19.9	-	-	10,653	1.9
1997-98	93,664	15.9	-	-	9,453	1.6
1998-99	85,331	13.8	-	-	9,299	1.5
1999-00	75,536	11.4	-	-	8,509	1.3
2000-01	66,403	9.4	-	-	7,335	1.0
2001-02	63,004	8.4	-	-	6,270	0.8
2002-03	57,435	7.2	-	-	4,740	0.6
2003-04	54,750	6.4	-	-	4,096	0.5
2004-05	55,151	6.0	-	-	3,902	0.4
2005-06	54,070	5.4	-	-	4,628	0.5
2006-07	53,264	4.9	-	-	3,959	0.4
2007-08	55,442	4.7	-	-	3,754	0.3
2008-09	101,147	8.0	95,103	7.6	3,970	0.3
2009-10	147,133	11.3	141,806	10.9	6,411	0.5
2010-11	191,292	13.6	186,704	13.3	9,551	0.7
2011-12	233,976	15.7	229,389	15.4	10,875	0.7
2012-13	257,378	16.9	252,791	16.6	11,846	0.8
2013-14(e)	310,000	19.7	310,000	19.7	12,419	0.8
2014-15(e)	360,000	22.1	360,000	22.1	14,161	0.9
2015-16(p)	400,000	23.4	400,000	23.4	17,350	1.0
2016-17(p)	440,000	24.6	430,000	24.0	16,784	0.9

(a) From 2013-14 onwards, data for CGS on issue are projections and are rounded to the nearest \$10 billion.

(b) Total CGS on issue includes CGS held on behalf of the States and the Northern Territory, but excludes Commonwealth holdings of CGS.

(c) The face value of CGS subject to the Treasurer's Direction excludes the stock and securities outlined in subsection 51JA(2A) of the *Commonwealth Inscribed Stock Act 1911*. These are the same stock and securities that were excluded from the previous legislative debt limit. CGS on issue subject to the Treasurer's Direction are not available prior to 2008-09 because the limit was first introduced in July 2008.

(d) Interest paid consists of all cash interest payments of the general government sector, including those relating to CGS on issue.

(e) Estimates.

(p) Projections.

Table D7: Australian Government general government sector revenue, expenses, net capital investment and fiscal balance^(a)

	Revenue		Expenses		Net capital investment		Fiscal balance ^(b)	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1996-97	141,688	25.4	145,821	26.2	90	0.0	-4,223	-0.8
1997-98	146,820	24.9	148,652	25.2	147	0.0	-1,979	-0.3
1998-99	152,106	24.5	146,772	23.7	1,433	0.2	3,901	0.6
1999-00	167,304	25.3	155,558	23.5	-69	0.0	11,815	1.8
2000-01	186,110	26.4	180,094	25.5	8	0.0	6,007	0.9
2001-02	190,488	25.3	193,041	25.6	382	0.1	-2,935	-0.4
2002-03	206,923	25.8	201,259	25.1	287	0.0	5,377	0.7
2003-04	222,168	25.8	215,361	25.0	660	0.1	6,148	0.7
2004-05	242,507	26.3	229,245	24.8	1,034	0.1	12,228	1.3
2005-06	261,238	26.2	242,334	24.3	2,498	0.3	16,406	1.6
2006-07	278,411	25.6	259,276	23.8	2,333	0.2	16,801	1.5
2007-08	303,729	25.8	280,188	23.8	2,593	0.2	20,948	1.8
2008-09	298,933	23.8	324,612	25.8	4,064	0.3	-29,743	-2.4
2009-10	292,767	22.6	340,208	26.2	6,433	0.5	-53,875	-4.2
2010-11	309,890	22.0	356,353	25.3	5,297	0.4	-51,760	-3.7
2011-12	338,109	22.8	378,005	25.4	4,850	0.3	-44,746	-3.0
2012-13	360,160	23.7	382,644	25.1	987	0.1	-23,472	-1.5
2013-14^(e)	373,922	23.7	412,060	26.1	3,706	0.2	-41,843	-2.7
2014-15 ^(e)	387,882	23.8	417,758	25.6	1,628	0.1	-31,504	-1.9
2015-16 ^(p)	417,423	24.4	436,019	25.5	180	0.0	-18,776	-1.1
2016-17 ^(p)	445,032	24.9	457,110	25.6	2,378	0.1	-14,456	-0.8

(a) Data have been revised in the 2013-14 MYEFO to improve accuracy and comparability through time.

(b) Fiscal balance is equal to revenue less expenses less net capital investment.

(e) Estimates.

(p) Projections.

Table D8: Australian Government general government sector net worth and net financial worth^(a)

	Net worth(b)		Net financial worth(c)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1999-00	-7,046	-1.1	-67,036	-10.1
2000-01	-6,618	-0.9	-71,876	-10.2
2001-02	-11,655	-1.5	-78,032	-10.4
2002-03	-15,330	-1.9	-82,931	-10.4
2003-04	-1,152	-0.1	-72,389	-8.4
2004-05	14,556	1.6	-58,882	-6.4
2005-06	17,971	1.8	-59,763	-6.0
2006-07	46,351	4.3	-35,696	-3.3
2007-08	70,859	6.0	-14,690	-1.2
2008-09	19,427	1.5	-71,490	-5.7
2009-10	-45,938	-3.5	-144,485	-11.1
2010-11	-95,386	-6.8	-198,787	-14.1
2011-12	-247,208	-16.6	-355,834	-23.9
2012-13	-202,650	-13.3	-312,724	-20.5
2013-14(e)	-176,649	-11.2	-289,693	-18.4
2014-15(e)	-207,043	-12.7	-323,248	-19.8
2015-16(p)	-226,049	-13.2	-344,378	-20.2
2016-17(p)	-241,162	-13.5	-361,390	-20.2

(a) Data have been revised in the 2013-14 MYEFO to improve accuracy and comparability through time.

(b) Net worth is equal to total assets less total liabilities.

(c) Net financial worth is equal to financial assets less total liabilities.

(e) Estimates.

(p) Projections.

Table D9: Australian Government general government sector accrual taxation revenue, non-taxation revenue and total revenue^(a)

	Taxation revenue		Non-taxation revenue		Total revenue	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1999-00	153,408	23.2	13,896	2.1	167,304	25.3
2000-01	175,881	24.9	10,228	1.4	186,110	26.4
2001-02	178,210	23.6	12,278	1.6	190,488	25.3
2002-03	195,203	24.4	11,720	1.5	206,923	25.8
2003-04	209,959	24.4	12,209	1.4	222,168	25.8
2004-05	229,943	24.9	12,564	1.4	242,507	26.3
2005-06	245,716	24.6	15,522	1.6	261,238	26.2
2006-07	262,511	24.1	15,900	1.5	278,411	25.6
2007-08	286,229	24.3	17,500	1.5	303,729	25.8
2008-09	278,653	22.1	20,280	1.6	298,933	23.8
2009-10	268,000	20.7	24,767	1.9	292,767	22.6
2010-11	289,005	20.5	20,885	1.5	309,890	22.0
2011-12	316,779	21.3	21,330	1.4	338,109	22.8
2012-13	337,323	22.2	22,836	1.5	360,160	23.7
2013-14(e)	351,434	22.3	22,488	1.4	373,922	23.7
2014-15(e)	366,356	22.5	21,525	1.3	387,882	23.8
2015-16(p)	394,705	23.1	22,718	1.3	417,423	24.4
2016-17(p)	421,066	23.5	23,966	1.3	445,032	24.9

(a) Data have been revised in the 2013-14 MYEFO to improve accuracy and comparability through time.

(e) Estimates.

(p) Projections.

Table D10: Australian Government general government sector (accrual) revenue

	Actual	Estimates		Projections	
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m	\$m
Individuals and other withholding taxes					
Gross income tax withholding	151,069	158,510	170,210	185,010	198,290
Gross other individuals	36,283	36,650	39,500	43,730	48,230
less: Refunds	26,801	27,200	28,000	29,400	30,700
Total individuals and other withholding tax	160,551	167,960	181,710	199,340	215,820
Fringe benefits tax	3,971	4,140	4,550	4,800	5,090
Company tax	68,208	70,400	72,330	75,690	79,130
Superannuation fund taxes	7,581	6,990	8,930	11,100	12,180
Minerals resource rent tax(a)	310	500	300	0	0
Petroleum resource rent tax	1,618	1,900	2,100	2,230	2,390
Income taxation revenue	242,238	251,890	269,920	293,160	314,610
Goods and services tax	50,313	52,680	55,710	58,900	62,070
Wine equalisation tax	716	750	790	830	880
Luxury car tax	432	400	380	410	430
Excise and customs duty					
Petrol	6,080	5,740	5,670	5,820	5,850
Diesel	8,721	8,820	9,205	9,310	9,490
Other fuel products(b)	nfp	3,730	3,590	3,630	3,660
Tobacco(b)	nfp	8,260	9,130	10,040	10,890
Beer	2,287	2,320	2,370	2,490	2,640
Spirits	1,945	1,990	2,090	2,220	2,330
Other alcoholic beverages(c)	958	970	990	1,040	1,100
Other customs duty					
Textiles, clothing and footwear	676	750	600	420	450
Passenger motor vehicles	892	930	920	920	940
Other imports	1,500	1,580	1,600	1,660	1,760
less: Refunds and drawbacks	354	260	260	260	260
Total excise and customs duty	33,883	34,830	35,905	37,290	38,850
Carbon pricing mechanism	6,535	7,340	0	0	0
Agricultural levies	476	459	470	460	464
Other taxes	2,730	3,086	3,182	3,656	3,762
Indirect taxation revenue	95,085	99,545	96,437	101,545	106,456
Taxation revenue	337,323	351,434	366,356	394,705	421,066
Sales of goods and services	8,886	8,680	8,496	8,687	8,788
Interest	3,646	3,730	4,060	4,364	4,680
Dividends	3,079	3,792	2,448	2,657	3,352
Other non-taxation revenue	7,226	6,286	6,522	7,010	7,146
Non-taxation revenue	22,836	22,488	21,525	22,718	23,966
Total revenue	360,160	373,922	387,882	417,423	445,032
<i>Memorandum:</i>					
Total excise	25,710	25,900	26,725	27,780	28,760
Total customs duty	8,172	8,930	9,180	9,510	10,090
Capital gains tax(d)	7,100	7,900	10,700	13,200	15,400
Medicare and DisabilityCare Australia levy(e)	9,788	9,950	10,380	14,035	15,000

- (a) Net revenue from the minerals resource rent tax is expected to be \$0.3 billion in 2013-14 and \$0.2 billion in 2014-15 which represents the net revenue impact across different revenue heads. These include the offsetting reductions in company tax (through deductibility) and interactions with other taxes. The Government has announced the minerals resource rent tax will not apply beyond 30 June 2014.
- (b) Due to taxpayer confidentiality, the value of revenue from these revenue heads cannot be disclosed for the 2012-13 financial year.
- (c) Other alcoholic beverages are those not exceeding 10 per cent by volume of alcohol (excluding beer, brandy and wine).
- (d) Capital gains tax is part of gross other individuals, company tax and superannuation fund taxes. The 2012-13 reported figure is an estimate.
- (e) The Medicare and DisabilityCare Australia levy liabilities are reported in the year in which the income tax liability is assessed.

Table D11: Australian Government cash receipts, payments and surplus by institutional sector (\$m)^(a)

	General government				Public non-financial corporations				Non-financial public sector			
	Receipts(b)		Payments(c)		Receipts(b)		Payments(c)		Receipts(b)		Payments(c)	
	Underlying cash balance(d)		Underlying cash balance(d)		Cash surplus(d)		Underlying cash balance(d)		Underlying cash balance(d)		Underlying cash balance(d)	
1988-89	90,748	85,326	5,421	4,177	6,035	257	93,923	90,312	5,678			
1989-90	98,625	92,684	5,942	3,926	11,322	-5,261	101,495	102,883	681			
1990-91	100,227	100,665	-438	4,804	9,351	-2,139	103,837	108,808	-2,577			
1991-92	95,840	108,472	-12,631	3,899	7,713	101	97,937	114,369	-12,530			
1992-93	97,633	115,751	-18,118	4,385	7,819	-196	100,512	122,042	-18,314			
1993-94	103,824	122,009	-18,185	5,178	6,476	1,482	106,747	126,214	-16,703			
1994-95	113,458	127,619	-14,160	5,262	7,318	1,956	116,751	132,965	-12,204			
1995-96	124,429	135,538	-11,109	4,927	8,190	-527	126,593	140,963	-11,636			
1996-97	133,592	139,689	-6,099	4,782	7,373	473	135,259	143,948	-5,626			
1997-98	140,736	140,587	149	6,238	7,923	1,119	144,517	145,985	1,268			
1998-99	152,063	148,175	3,889	na	na	-353	na	na	3,536			
1999-00	166,199	153,192	13,007	na	na	-2,594	na	na	10,413			
2000-01	182,996	177,123	5,872	na	na	391	na	na	6,264			
2001-02	187,588	188,655	-1,067	na	na	1,210	na	na	143			
2002-03	204,613	197,243	7,370	27,386	26,105	1,280	na	na	8,650			
2003-04	217,775	209,785	7,990	27,718	26,142	1,575	238,236	228,669	9,564			
2004-05	235,984	222,407	13,577	29,621	28,071	1,550	257,946	242,818	15,128			
2005-06	255,943	240,136	15,757	30,875	31,874	-999	278,254	263,445	14,759			
2006-07	272,637	253,321	17,190	16,882	18,641	-1,759	285,336	267,778	15,431			
2007-08	294,917	271,843	19,754	7,758	8,232	-473	300,503	277,903	19,281			
2008-09	292,600	316,046	-27,013	7,987	8,960	-973	297,421	321,841	-27,986			
2009-10	284,662	336,900	-54,494	8,419	9,341	-922	290,681	343,841	-55,416			
2010-11	302,024	346,102	-47,463	8,558	9,733	-1,175	308,258	353,511	-48,638			
2011-12	329,874	371,032	-43,360	8,845	10,847	-2,002	336,122	379,282	-45,362			
2012-13	351,052	367,204	-18,834	9,766	14,135	-4,369	358,088	378,609	-23,203			
2013-14(e)	364,930	409,049	-46,989	11,196	14,837	-3,641	374,393	422,153	-50,630			
2014-15(e)	382,743	413,696	-33,907	na	na	na	na	na	na			
2015-16(p)	409,084	430,029	-24,083	na	na	na	na	na	na			
2016-17(p)	432,817	447,111	-17,668	na	na	na	na	na	na			

(a) Data have been revised in the 2013-14 MYEFO to improve accuracy and comparability through time.

(b) Receipts are equal to receipts from operating activities and sales of non-financial assets.

(c) Payments are equal to payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.

(d) These items exclude net Future Fund earnings from 2005-06 onwards. Net Future Fund earnings are shown in Table D1.

(e) Estimates.

(p) Projections.

na Data not available.

Table D12: Australian Government accrual revenue, expenses and fiscal balance by institutional sector (\$m)^(a)

	General government			Public non-financial corporations			Non-financial public sector		
	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
1996-97	141,688	145,821	-4,223	27,431	26,015	-331	na	na	-4,554
1997-98	146,820	148,652	-1,979	29,618	26,999	2,360	na	na	387
1998-99	152,106	146,772	3,901	27,687	26,088	-816	175,891	168,958	3,085
1999-00	167,304	155,558	11,815	25,485	23,542	1,062	188,841	175,152	11,721
2000-01	186,110	180,094	6,007	25,869	24,762	-826	207,372	200,250	5,181
2001-02	190,488	193,041	-2,935	26,638	25,341	793	212,518	213,774	-2,142
2002-03	206,923	201,259	5,377	24,339	22,916	1,975	226,135	219,089	7,311
2003-04	222,168	215,361	6,148	25,449	23,444	2,143	241,873	233,060	8,291
2004-05	242,507	229,245	12,228	26,965	25,191	1,473	263,587	248,552	13,700
2005-06	261,238	242,334	16,406	28,143	29,531	-2,442	282,597	265,080	13,964
2006-07	278,411	259,276	16,801	15,443	16,360	-1,763	290,067	271,850	15,038
2007-08	303,729	280,188	20,948	6,854	6,686	-584	309,215	285,506	20,364
2008-09	298,933	324,612	-29,743	6,998	7,576	-1,495	303,733	329,991	-31,238
2009-10	292,767	340,208	-53,875	7,288	7,297	-1,079	298,412	345,863	-54,954
2010-11	309,890	356,353	-51,760	7,563	7,787	-1,446	315,688	362,375	-53,205
2011-12	338,109	378,005	-44,746	8,046	8,238	-2,158	344,507	384,595	-46,904
2012-13	360,160	382,644	-23,472	8,863	9,415	-4,189	367,306	390,342	-27,661
2013-14(e)	373,922	412,060	-41,843	9,546	11,379	-4,690	381,830	421,800	-46,533
2014-15(e)	387,882	417,758	-31,504	na	na	na	na	na	na
2015-16(p)	417,423	436,019	-18,776	na	na	na	na	na	na
2016-17(p)	445,032	457,110	-14,456	na	na	na	na	na	na

(a) Data have been revised in the 2013-14 MYEFO to improve accuracy and comparability through time.

(b) Fiscal balance is equal to revenue less expenses less net capital investment. Net capital investment is not shown in this table.

(e) Estimates.

(p) Projections.

na Data not available.